PLACE ADDRESS
LABEL HERE

California
Forms & Instructions

541

2003
Fiduciary Income Tax Booklet

Contents

2003 Instructions for Form 541

California Fiduciary Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2001**, and to the California Revenue and Taxation Code (R&TC).

General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. However, there are continuing differences between California and federal law. It should be noted that California does not always conform to the entire provisions of a public law. California has conformed to some of the changes made to the IRC after January 1, 2001, including some provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), the Victims of Terrorism Tax Relief Act of 2001 (Public Law 107-134), and the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147). California has not conformed to any of the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (Public Law 108-27) and the Military Family Tax Relief Act of 2003 (Public Law 108-121).

California has conformed to the Victims of Terrorism Tax Relief Act of 2001 to allow victims who have died as a result of the terrorist attacks of September 11, 2001, the anthrax incidents in 2001, or the Oklahoma City bombing that occurred on April 19, 1995, a forgiveness of their state tax liability for the year immediately preceding the incident and all subsequent tax years until the victim's date of death. The surviving spouses or executor of the victim may claim a refund of taxes paid by filing an amended return. For more information, get Form 540X, Amended Individual Income Tax Return, and its instructions. In addition, with respect to taxpayers affected by either a presidentially declared disaster or terroristic or military action occurring on or after September 11, 2001, you may receive an extension of up to one year to file a tax return and/or make estimated tax payments.

Internet Access. You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**

Access other state agencies' websites through the State Agency Index on California's Website at **www.ca.gov**

Our Joint Agency Website offers California business tax information and forms for the Board of Equalization (BOE), Employment Development (EDD), Franchise Tax Board (FTB), and Internal Revenue Service (IRS) at **www.ca.taxes.gov**

What's New

Form 541 has a new look this taxable year. A worksheet and additional lines have been incorporated in order to accommodate the needs of fiduciaries:

- Two boxes, QSST and ESBT, have been included in the, "Type of Entity" section allowing trusts that make an IRC section 1361(d) or 1361 (e) election to be properly identified as a Qualified Subchapter S or Electing Small Business trust.
- For taxable years beginning on or after January 1, 2003, fiduciaries may elect to report qualified use tax owed on line 37. For additional information on California use tax, please see California Use Tax under Other Information on page 12.
- Estates or trusts that did not make a distribution and have real estate or nonresident withholding should claim a credit for the amount withheld on line 30.
- If the trust receives non-California source income and has resident and nonresident trustees or non-contingent beneficiaries, the trustee should complete the Non-California Source Income and Deduction Apportionment Worksheet on Form 541, Side 3 to apportion non-California income and deductions under California Revenue and Taxation Code (R&TC) Section 17742-17744. For further explanation on apportionment, please see the situation on page 5 of the instructions under "Trust Income to be Reported from Sources."

Natural Heritage Preservation Credit. The Natural Heritage Preservation tax credit is available starting July 1, 2003.

California Use Tax

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state and Internet sellers. It is similar to the sales tax paid on purchases estates and trusts make in California.

In general, estates and trusts must pay California use tax if they purchase an item out of state (for example, by telephone, over the Internet, by mail, or in person) and

- The seller does not collect California sales or use tax, and
- The estate or trust use, give away, store, or consume the item in this state.

Example: The estate or trust is a resident of California and purchase a dining table from a company in North Carolina. The company ships the table from North Carolina to their place of business for their use and does not charge California sales or use tax. Estates or trusts owe use tax for the purchase.

Complete the Use Tax Worksheet on page 10 to calculate the amount due. If estates and trusts do not know their use tax rate, see the chart on page 11. If estates and trusts have questions regarding the use tax rate in effect in their area, please visit the State Board of Equalizations' Website at **www.boe.ca.gov** or call the State Board of Equalization's Information Center at (800) 400-7115. Please call this number for use tax questions only. Income tax information is not available at this number.

Extension to file. If estates and trusts request an extention to file their income tax return, wait until they file their return to report their purchases subject to use tax and to make their use tax payment.

Corrected use tax calculations. Do not complete an Amended Income Tax return to revise estates and trusts use tax. If estates and trusts have changes to the amount of use tax they reported on their original income tax return, contact the State Board of Equalization.

For assistance, please visit the State Board of Equalization Website at **www.boe.ca.gov** or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929. Income tax information is not available at this number.

A Purpose

Fiduciaries use Form 541 to:

- Report income received by an estate or trust;
- Report income that is accumulated or currently distributed to the beneficiaries;
- Report any applicable tax liability of the estate or trust; or
- File an amended return for the estate or trust.

A fiduciary includes a trustee of a trust including a qualified settlement fund, or an executor, administrator, or person in possession of property of a decedent's estate.

For taxation purposes, a trust will generally be regarded as a separate entity. However, if there is an unlawful shifting of income from the individual who has earned that income to a trust, the trust will not be treated as a separate entity. The income will be taxed to the individual who earned the income. If the individual establishing the trust has a substantial ability to control the assets, all of the income will be taxed to that individual. Deductions of personal living expenses by an individual or trust is not allowed unless specifically allowed by the R&TC and the IRC.

B Who Must File

Nonresidents or Part-year Residents. The laws guiding California's taxation of nonresidents, former nonresidents, and part-year residents changed for taxable years beginning in 2002. The new laws set rules for calculating loss carryovers, deferred deductions, and deferred income. The new laws also change the tax computation method to recognize those items. Get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Decedent's Estate. The fiduciary (or one of the joint fiduciaries) must file Form 541 for the estate of a decedent that has:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $1,000; or
- An alternative minimum tax liability.

Trust. The fiduciary (or one of the joint fiduciaries) must file Form 541 for a trust that has:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $100; or
- An alternative minimum tax liability.

Note: Simple trusts that have received a letter from the FTB granting exemption from tax under R&TC Section 23701d are considered to be corporations for tax purposes and may be required to file Form 199, Exempt Organization Annual Information Return. See the back cover, "Where to Get Tax Forms and Publications.''

Nonexempt charitable trusts described in IRC Section 4947(a)(1) must file Form 199.

Trusts described in IRC Section 401(a) may be required to file an exempt organization return. Get Form 109, Exempt Organization Business Income Tax Return, for more information.

Optional Filing Methods for Certain Grantor Trusts. The FTB will accept the optional reporting requirements stated in federal Treasury Regulation Section 1.671-4(b)(2).

Real Estate Mortgage Investment Conduit (REMIC) Trust. A REMIC is a special vehicle for entities that issue multiple classes of investor interests backed by a fixed pool of mortgages. Get the instructions for federal Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, for more information. The fiduciary (or one of the joint fiduciaries) must file Form 541 and pay an annual tax of $800 for a REMIC that is governed by California law, qualified to do business in California, or has done business in California at any time during the year.

A REMIC trust is not subject to any other taxes assessed on this form. Attach a copy of federal Form 1066 to the back of the completed Form 541.

Bankruptcy Estate. The fiduciary must file Form 541 for the estate of an individual involved in bankruptcy proceedings under Chapter 7, 11, or 12 of Title 11 of the United States Code (USC) if the estate has:

- Gross income for the taxable year of more than $10,000 (regardless of the amount of net income);
- Net income for the taxable year of more than $1,000; or
- An alternative minimum tax liability.

Note: IRC Section 1398 does not apply. Under California tax law, the bankruptcy is taxed as an estate in accordance with 11 USC Section 346(a) and (b).

Qualified Settlement Fund (including designated settlement fund). The fiduciary must file Form 541 for a qualified settlement fund (print **"QSF"** in red at the top of Form 541, Side 1), as defined under IRC Section 468B if:

- The court or government agency supervising the administration of the fund is in California; or
- The fund receives or expects to receive income from California sources, (i.e., income from real or tangible personal property located in California and income from intangible personal property with a business or taxable situs in California).

Electing Small Business Trust (ESBT). An election by the trustee pursuant to IRC Section 1361 to be an electing small business trust for federal purposes is treated as an election by the trustee for California purposes. No separate election for California purposes is allowed. Any election made applies to the taxable year of the trust in which the election is made and all subsequent years of the trust unless revoked with the consent of the FTB.

Qualified Subchapter S Trusts (QSST). The portion of a trust holding S corporation stock related to an IRC Section 1361(d) election cannot use the simplified reporting method for grantor trusts. As a result, the trust must:

- File a complete Form 541,
- Indicate that it is a QSST treated as a grantor trust, and
- Provide a separate Schedule K-1 (541) to each beneficiary showing that all of the income from the S corporation stock related to the election is taxable to the beneficiary.

Qualified Funeral Trusts. Special rules apply to the taxation of qualified funeral trusts for trustees that elect to use these rules. For details, get Form 541-QFT, California Income Tax Return for Qualified Funeral Trusts.

Regulated Investment Companies (RIC) and Real Estate Investment Trusts (REIT). If you filed a Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies, or a Form 1120-REIT, U.S. Income Tax Return For Real Estate Investment Trusts, file Form 100, California Corporation Franchise or Income Tax Return, instead of Form 541. See the back cover, "Where to Get Tax Forms and Publications."

Federal and State Fiduciary Forms

If the fiduciary filed federal Form:	Then the fiduciary should file California Form:
706	ET-1
990T	109
990PF	199
1040NR	541
1041	541
1041-A	541-A
5227	541-B

- **Form 1041,** U.S. Income Tax Return for Estates and Trusts.
- **Form 1040NR,** U.S. Nonresident Alien Income Tax Return. Used for filing nonresident alien fiduciary (estate and trust) federal returns.
- **Form 5227,** Split-Interest Trust Information Return. Used to report financial activities of charitable remainder trusts, pooled income funds, and charitable lead trusts.
- **Form 1041-A,** U.S. Information Return Trust Accumulation of Charitable Amounts. Used to report information on charitable contributions as required by IRC Section 6034 and related regulations.
- **Form 990PF,** Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation.
- **Form 990T,** U.S. Exempt Organization Business Income Tax Return (and proxy tax under Section 6033(e)).
- **Form 706,** U.S. Estate and Generation-Skipping Transfer Tax Return, to figure estate tax imposed by Chapter 11 of the Internal Revenue Code on the decedent's estate. It also computes the generation-skipping transfer tax imposed by Chapter 13.
- **Form ET-1,** California Estate Tax Return, is filed with the California State Controller's office, this form is only required if federal Form 706 was filed.
- **Form 541,** California Fiduciary Income Tax Return.
- **Form 541-A,** Trust Accumulation Of Charitable Amounts. Used to report a charitable or other deduction under IRC Section 642(c), or for charitable or split-interest trust.
- **Form 541-B,** Charitable Remainder and Pooled Income Trust.
- **Form 109,** California Exempt Organization Business Income Tax Return.
- **Form 199,** California Exempt Organization Annual Information Return.

C Definitions

Get federal Form 1041, U.S. Income Tax Return for Estates and Trusts, for more information about:

- Beneficiaries;
- Fiduciaries;
- Decedent's estates;
- Simple trusts;
- Income required to be distributed currently;
- Income, deductions, and credits in respect of a decedent;
- Distributable net income (DNI);
- Complex trusts;
- Bankruptcy estates;
- Grantor-type trusts; and
- Pooled income funds.

D Additional Forms You May Have to File

In addition to Form 541, you must file a separate Schedule K-1 (541) or FTB-approved substitute for each beneficiary.

Trusts that only hold assets related to an IRC Section 1361(d) election should include all of the trust's items of income and deductions on the Schedule K-1 of the beneficiary who made the election and should write "QSST" across the top of the Schedule K-l (the trust is treated as a grantor trust with respect to such beneficiary).

Trusts that hold assets related to an IRC Section 1361(d) election and other assets not related to an IRC Section 1361(d) election should provide its beneficiary or beneficiaries with separate Schedules K-1 (541). One for the income and deductions from the assets related to the IRC Section 1361(d) election and one for the income and deductions from the other assets. The Schedule K-1 for the income and deductions for the IRC Section 1361(d) assets should include all of the trust's items of income and deductions from such assets. Write "QSST" across the top of the Schedule K-1.

Substitute Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc. If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute form.

You may also be required to file:

- **Form 540**, California Resident Income Tax Return;
- **Form 540NR**, California Nonresident or Part-Year Resident Income Tax Return (Long or Short);
- **Form 541-A**, Trust Accumulation of Charitable Amounts;

- **Form 541-ES**, Estimated Tax for Fiduciaries;
- **Form 541-T**, California Allocation of Estimated Tax Payments to Beneficiaries;
- **Form 592**, Nonresident Withholding Annual Return;
- **Form 592-B**, Nonresident Withholding Tax Statement;
- **Schedule P (541)**, Alternative Minimum Tax and Credit Limitations — Fiduciaries;
- **Federal Forms 1099-A**, B, INT, LTC, MISC, MSA, OID, R, and S; or
- **Form 4800**, Federally Tax Exempt Non-California Bond Interest and Interest-Dividend Payment Information.*

*Entities paying interest to California taxpayers on municipal bonds that are issued by a state other than California, or a municipality other than a California municipality, and that are held by California taxpayers, are required to report interest payments aggregating $10 or more paid after January 1, 2003. Information returns are due on or before June 1, 2004.

E Period Covered by the Return

File Form 541 for calendar year 2003 or a fiscal year beginning in 2003. Only trusts exempt from taxation under IRC Section 501(a) or a charitable trust described under IRC Section 4947(a)(1) and estates may have a fiscal year. If you do not file a calendar year return, you must enter the taxable year in the space at the top of Form 541.

For estates, the date of death determines the end of the decedent's taxable year and the beginning of the estate's taxable year. The first taxable year for the estate may be any period of 12 months or less that ends on the last day of a month.

F When to File

File Form 541 by the 15th day of the 4th month following the close of the taxable year of the estate or trust. For calendar year estates and trusts, file Form 541 and Schedule K-1s (541) by April 15, 2004. If Form 541 cannot be filed by the 15th day of the 4th month (fiscal year) or April 15, 2004 (calendar year), the estate or trust has an additional six months to file without filing a written request for extension. However, to avoid late-payment penalties, 100% of the tax liability must be paid by the original due date of the return. This also applies to REMICs that are subject to an annual $800 tax.

If an extension of time to file is needed but an unpaid tax liability is owed, use form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries, that is included in this booklet.

If the return is not filed by the extended due date, delinquent filing penalties and interest will be imposed on any tax due from the original due date of the return.

File the 2003 return for calendar year 2003 and fiscal years beginning in 2003. Fill in the tax year space at the top of the form for a fiscal year or short tax year return.

The 2003 Form 541 may also be used for a taxable year beginning in 2004 if:

- The estate or trust has a tax year of less than 12 months that begins and ends in 2004; and
- The 2004 Form 541 is not available by the time the estate or trust is required to file its tax return. However, the estate or trust must show its 2004 tax year on the 2003 Form 541 and incorporate any tax law changes that are effective for tax years beginning after December 31, 2003.

A qualified settlement fund is treated as a corporation for filing and reporting purposes and should file its California income tax return by the 15th day of the 3rd month following the close of the taxable year, normally March 15th. You must attach a copy of the federal Form 1120-SF, U.S. Income Tax Return for Settlement Funds (Under Section 468B), and any statements or elections required by Treasury Regulations to Form 541.

G Where to File

If an **amount is due**, mail the return and payment to:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0001

Be sure to write your federal employer identification number (FEIN) on all payments. Do not mail cash.

If there is a **refund or no amount is due**, mail the return to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

Private Delivery Service. California conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See federal Form 1041 for a list of designated delivery services. If a private delivery service is used, address the return to:

FRANCHISE TAX BOARD
SACRAMENTO CA 95827

Caution: Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, **DO NOT** use an FTB PO box.

H Estimated Tax Payments

Estates and trusts are required to make quarterly estimated tax payments. Estates and trusts, which receive the residue of the decedent's estate, are required to make estimated income tax payments for any year ending two or more years after the date of the decedent's death.

California law conforms to IRC Section 6654(d) as of January 1, 2001, regarding the amount required to be paid as estimated tax payments. Thus, fiduciaries with 2003 AGI greater than $150,000 are now required to estimate their tax based on the lesser of 90% of their current tax for 2003 or 110% of their 2002 tax.

I Decedent's Will and Trust Instrument

Do not file a copy of the decedent's will or the trust instrument unless the FTB requests one.

J Limitations

At-Risk Loss Limitations. Generally, the amount the estate or trust has "at-risk" limits the loss you may deduct for any taxable year. Get federal Form 6198, At-Risk Limitations, to figure the deductible loss for the year. Be sure to use California amounts.

Passive Activity Loss and Credit Limitations. IRC Section 469 (which California incorporates by reference) generally limits deductions from passive activities to the amount of income derived from all passive activities. Similarly, credits from passive activities are limited to tax attributable to such activities. These limitations are first applied at the estate or trust level. Get the instructions for federal Form 1041 for more information on the passive activities loss and credit limitation rules. Get form FTB 3801, Passive Activity Loss Limitations, to figure the amount of allowable passive activity loss. Get form FTB 3801-CR, Passive Activity Credit Limitations, to figure the amount of credit allowed for the current year.

K Special Rule for Blind Trust

If you are reporting income from a qualified blind trust (under the Ethics in Government Act of 1978), do not identify the payer of any income to the trust, but complete the rest of the return as provided in the instructions. Also, write **"BLIND TRUST"** at the top of Form 541, Side 1.

L Multiple Trust Rules

Two or more trusts are treated as one trust if the trusts have substantially the same grantor(s) and substantially the same primary beneficiary(ies), and if a principal purpose of the use of multiple trusts is avoidance of tax. This provision applies only to that portion of the trust that is attributable to contributions to corpus made after March 1, 1984.

M Interest and Penalties

Interest. Interest will be charged on taxes not paid by the due date, even if the return is filed by the extended due date.

Late filing of return. A penalty is assessed if the return is filed after the due date (including extensions), unless there was reasonable cause for filing late. The penalty is 25% if the return is filed after the extended due date. If the return is filed more than 60 days after the extended due date, the minimum penalty is $100 or 100% of tax due on the return, whichever is less.

Late payment of tax. A penalty is assessed for not paying tax by the due date unless there was reasonable cause for not paying on time. The penalty is 5% of the unpaid tax plus one-half of 1% for each month, or part of a month, that the tax is late, up to a maximum of 25%.

Note: If an estate or trust is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

Penalty for failure to provide Schedule K-1. The fiduciary is required to provide a Schedule K-1 (541) to each beneficiary who receives a distribution of property or an allocation of an item of the estate. A penalty of $50 per beneficiary (not to exceed $100,000 for any calendar year) will be imposed on the fiduciary if this requirement is not satisfied.

Note: If the estate or trust includes interest on any of these penalties with the payment, identify and enter these amounts in the bottom margin of Form 541, Side 1. Do not include the interest or penalty in the tax due on line 33 or reduce the overpaid tax on line 34.

Other penalties. Other penalties may be assessed for a check returned by your bank for insufficient funds, accuracy-related matters, and fraud.

N Attachments

If the estate or trust needs more space on the forms or schedules, attach separate sheets showing the same information in the same order as on the printed forms.

Enter the estate's or trust's FEIN on each sheet. Also, use sheets that are the same size as the forms and schedules and indicate clearly the line number of the printed form to which the information relates. Show the totals on the printed forms.

O Rounding to Whole-Dollar Amounts

The estate or trust should show the monetary amounts on the return and accompanying schedules as whole-dollar amounts.

P Miscellaneous Items

California law follows federal law in the areas of:

- Accounting methods;
- Separate shares in a single trust;
- Separate shares in a single estate;
- Blind trusts;
- Multiple trusts;
- Simple and complex trusts;
- Common trust funds; and
- Excess distributions.

Liability for tax. The fiduciary is liable for payment of the tax. Failure to pay the tax may result in the fiduciary being held personally liable. See R&TC Sections 19071 and 19516.

Estate income to be reported. If a decedent, at the date of death, was a resident of California, the entire income of the estate must be reported. If a decedent, at the date of death, was a nonresident, only the income derived from sources within California should be reported.

Trust Income to be Reported from Sources: Income retained by a trust is taxable to the trust. Income from California sources is taxable regardless of the residence of the fiduciaries and beneficiaries. R&TC Sections 17742 through 17745 provide that the taxability of non-California source income retained by a trust and allocated to principal depends on the residence of the fiduciaries and **noncontingent** beneficiaries, not the person who established the trust. Contingent beneficiaries are not relevant in determining the taxability of a trust.

There are five different situations that can occur when determining the taxability of a trust. The situations and treatment are:

1. If the trustee (or all the trustees, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
2. If the noncontingent beneficiary (or all the noncontingent beneficiaries, if more than one) is a California resident, the trust is taxed on all income from all sources (R&TC Section 17742).
3. If at least one trustee is a California resident and at least one trustee is a nonresident and all beneficiaries are nonresidents, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident trustees bears to the total number of trustees (R&TC Section 17743).
4. If all of the trustees are nonresidents and at least one noncontingent beneficiary is a California resident and at least one noncontingent beneficiary is a nonresident, the trust is taxed on all California source income plus the proportion of all other income that the number of California resident noncontingent beneficiaries bear to the total number of noncontingent beneficiaries (R&TC Section 17744).
5. If the trust has resident and nonresident trustees and resident and nonresident noncontingent beneficiaries, both situations 3 and 4 apply.

The R&TC and accompanying regulations do not discuss the situation where some fiduciaries and some beneficiaries are nonresidents (situation 5). FTB Legal Ruling No. 238, October 27, 1959, provides the following method for allocating non-California source income where there is a mixture of California resident and nonresident fiduciaries, and California resident and nonresident noncontingent beneficiaries.

Example: Assume that the total taxable income of the trust is $90,000 and is not sourced in California. There are three trustees, one of whom is a resident of California. There are two noncontingent income beneficiaries, one of whom is a resident of California. A noncontingent beneficiary or vested beneficiary is one whose interest is not subject to a condition precedent. A condition precedent is one which must happen before some right dependent thereon accrues, or some act dependent thereon is performed. (Survivorship is a condition precedent.) The amount of income taxable by California is calculated in the following steps:

1. Taxable income is first allocated to California by the ratio of the number of California fiduciaries to the total number of trustees. The trustee calculation is 1/3 (one California fiduciary) of $90,000 = $30,000;
2. The amount allocated to California in that ratio (from Step 1) is subtracted from total taxable income. The amount for the next allocation is $60,000 ($90,000 – $30,000);
3. The remainder of total income is then allocated to California by the ratio of the number of California noncontingent beneficiaries to the total number of noncontingent beneficiaries. The beneficiary calculation is 1/2 of $60,000 = $30,000; and
4. The sum of the fiduciary calculation and the noncontingent beneficiary calculation is the amount of non-California source income taxable by California. The fiduciary income calculation of $30,000 plus the beneficiary income calculation of $30,000 equals the income taxable by California of $60,000.

The apportionment described above does not apply when the interest of a beneficiary is contingent. See R&TC Section 17745 regarding taxability in such cases.

Deductions upon termination. A deduction shall be allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has (1) a capital loss carryover, or (2) for its last taxable year, deductions (other than the charitable deduction) in excess of gross income, or (3) a net operating loss.

Tax-exempt income. California does not tax:

- **Interest on governmental obligations.** Interest derived from bonds issued by California or its political subdivisions, the federal government, the District of Columbia (issued before December 24, 1973), or territories of the United States is not taxable by California.
- **Proceeds of insurance policies.** In general, a lump sum payable at the death of the insured under a life insurance policy is excludable from gross income of the recipient.
- **Miscellaneous items wholly exempt from tax.** (1) Gifts (not received as a consideration for services rendered), money or property acquired by bequest, devise, or inheritance (but the income derived therefrom is taxable); and, (2) Income, other than rent, derived by a lessor of real property upon the termination of a lease, representing the value of such property attributable to buildings erected or other improvements made by the lessee.

Withholding at source on nonresident beneficiaries. Fiduciaries must withhold tax on payments of income from California sources that are not subject to payroll withholding and made to nonresident beneficiaries. See R&TC Sections 18662 through 18677. Get Form 592, Nonresident Withholding Annual Return, and Form 592-B, Nonresident Withholding Tax Statement, to report the withholding.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

Tax certificate. If assets that exceed $250,000 in fair market value (FMV) are distributable to one or more nonresident beneficiaries and the FMV of the estate's assets exceeded $1,000,000 at the date of death, then pursuant to R&TC Section 19513, the fiduciary must obtain a tax clearance certificate prior to court approval of the fiduciary's final account. To request the certificate, file form FTB 3571, Request for Estate Income Tax Certificate, at least 30 days prior to the court date for the hearing on the petition for final distribution of the estate assets.

Specific Line Instructions

Identification Area

Follow the instructions for federal Form 1041 when completing the identification area on Form 541, Side 1. Attach a schedule listing the names and addresses of additional fiduciaries (who served the trust during any portion of the taxable year) who are not identified on the front of

Form 541. Identify each fiduciary as a resident or nonresident of California. California law is generally the same as federal law in the areas of:

- Simplified filing requirements;
- Methods of reporting;
- Pooled income funds;
- Amended returns;
- Final returns; and
- Nonexempt charitable and split-interest trusts.

Qualified Subchapter S Trust: Trusts that only hold assets related to an IRC Section 1361(d) election should fill out the "Income" and "Deduction" sections of the Form 541 like all other trusts, except the trust should take an income distribution deduction on line 18 equal to its adjusted total income from line 17.

Trusts that hold assets related to an IRC Section 1361(d) election and other not related assets should fill out the "Income" and "Deduction" sections of the Form 541 only for their income and deductions attributable to assets not related to an IRC Section 1361(d) election. Use Schedule B to determine their distribution deduction.

Principal Business Activity (PBA) Code: If the estate or trust was engaged in a trade or business during the taxable year, enter the principal business activity code used on the federal Schedule C or Schedule C-EZ.

Private Mailbox Number: If you lease a private mailbox (PMB) from a private business rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

Amended Return: If you are filing an amended Form 541, check the box labeled "Amended return." Complete the entire return, correct the lines needing new information, and recompute the tax liability. On an attached sheet, explain the reason for the amendments and identify the lines and amounts being changed on the amended return. Include the fiduciary name and FEIN on each attachment.

If the amended return results in a change to income, or a change in distribution of any income or other information provided to a beneficiary, an amended Schedule K-1 (541) must also be filed with the amended Form 541 and given to each beneficiary. Write **"AMENDED"** across the top of the amended Schedule K-1 (541).

Income

Reminder: Whole numbers should be shown on the return and accompanying schedules.

Estates or trusts that did not make a distribution and have real estate or nonresident withholding should claim a credit for the amount withheld on line 30.

Trusts that have nonresident trustees or non-contingent beneficiaries should use the Non-California Source Income and Deduction Apportionment Worksheet on Form 541, Side 3 in conjunction with the following line instructions.

Line 1 – Interest income
Enter the total of all taxable interest including any original issue discount bonds and income received as a holder of a regular interest in a REMIC.

Note: If you filed Form 1120-RIC or Form 1120-REIT, file Form 100 instead of Form 541.

Line 2 – Dividends
Enter the total of all taxable dividends.

Line 3 – Business income or (loss)
If the estate or trust was engaged in a trade or business during the taxable year, complete form FTB 3885F, Depreciation and Amortization, and attach it to Form 541. Also complete and attach a copy of federal Schedule C or C-EZ using California amounts. Follow federal instructions for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

California has not conformed to the federal Job Creation and Worker Assistance Act of 2002 that allows taxpayers to take an additional first-year depreciation deduction and AMT depreciation adjustment for property placed in service after September 10, 2001.

Energy Conservation Rebates, Vouchers, or Other Financial Incentives are excluded from income.

Line 4 – Capital gain or (loss)
Enter from Schedule D (541), Capital Gain or Loss, the gain or (loss) from the sale or exchange of capital assets. See the instructions for Schedule D (541).

Line 5 – Rents, royalties, partnerships, other estates and trusts, etc.
Enter the total of net rent and royalty income or (loss) and the total income or (loss) from partnerships and other estates, or trusts. Do not include amounts for:

- Interest, enter on line 1;
- Dividends, enter on line 2;
- Capital gain or (loss), enter on Schedule D (541); and
- Ordinary gain or (loss), enter on Schedule D-1, Sales of Business Property.

Complete and attach federal Schedule E, Supplemental Income and Loss, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction.

Follow federal instructions for "Depreciation, Depletion, and Amortization," regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Note: Elections to expense certain depreciable business assets under IRC Section 179 and R&TC Sections 17267.2, 17267.6, and 17268 do not apply to estates and trusts.

Any losses or credits from passive activities may be limited. See General Information J for information about passive activity loss limitations.

Line 6 – Farm income or (loss)
Enter the net income or (loss) from farming during the taxable year. Attach federal Schedule F, Profit or Loss From Farming, using California amounts. Attach form FTB 3885F to report any depreciation and amortization deduction. Follow federal instructions for "Depreciation, Depletion, and Amortization" regarding dividing the deductions between the fiduciary and the beneficiary(ies).

Line 7 – Ordinary gain or (loss)
Enter from Schedule D-1, Sales of Business Property, the gain or (loss) from the sale or exchange of property other than a capital asset and also from involuntary conversions (other than casualty or theft). Get the instructions for Schedule D-1 for more information.

Line 8 – Other income
Enter the total taxable income not reported elsewhere on Side 1. State the nature of the income. Attach a separate sheet if necessary.

Examples of income to be reported on line 8 are:

- Unpaid compensation received by the decedent's estate that is income in respect of a decedent;
- The estate's or trust's share of aggregate income or loss that is ordinary income, if the estate or trust is a shareholder of an S corporation. Enter the name and FEIN of the corporation. Report capital gain income, dividend income, etc., on other appropriate lines;
- The estate's or trust's share of taxable income or (loss) if the estate or trust is a holder of a residual interest in a REMIC. You should receive Schedule K-1 (541 or 565) and instructions from the REMIC. Get federal Schedule E, Supplemental Income and Loss, Part IV, instructions for reporting requirements; also, attach federal Schedule E; and
- Any part of a total distribution shown on federal Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that is treated as ordinary income.

Get California Schedule G-1, Tax on Lump-Sum Distributions, for more information.

Deductions

All deductions entered on line 10 through line 15c must include only the fiduciary's share of deductions related to taxable income. If the estate or trust has tax-exempt income, the amounts included on line 10 through line 15c must be reduced by the allocable portion attributed to tax-exempt income. See federal Form 1041 instructions, "Allocation of Deductions for Tax-Exempt Income," for information on how to determine the allocable amount to enter on line 10 through line 15c.

California law follows federal law for:

- Fiduciary, attorney, accountant, and return preparer fees;
- Limited deductions for losses arising from certain activities;
- Limited deductions for farming syndicates that had a change in membership or were established in 1977 (see IRC Section 464); and
- Bankruptcy estates: See 11 USC 346(e) for California deductions allowed for expenses incurred during administration.
- For taxable years beginning on or after January 1, 2002, California law conforms to federal law relating to the denial of deductions for lobbying activities, club dues, and employee remuneration in excess of one million dollars.

Line 10 – Interest
Enter any deductible interest paid or incurred that is not deductible elsewhere on Form 541. Attach a separate schedule showing all interest paid or incurred. Do not include interest on a debt that was incurred or continued in order to buy or carry

obligations on which the interest is tax-exempt. If unpaid interest is due to a related person, get federal Publication 936, Home Mortgage Interest Deduction, for more information.

The amount of investment interest deduction is limited. Get form FTB 3526, Investment Interest Expense Deduction, to compute the allowable investment interest expense deduction. Any disallowed investment interest expense is allowed as a carryforward to the next taxable year. See IRC Section 163(d) and get federal Publication 550, Investment Income and Expenses, for more information.

If the allowable part of the excess investment interest expense is deductible and a completed form FTB 3526 is required, write "FTB 3526 attached" on line 10. Then add the deductible investment interest to the other types of deductible interest and enter the total on line 10.

Line 11 – Taxes
Enter any deductible property taxes paid or incurred during the taxable year that are not deductible elsewhere on Form 541. Attach a separate schedule showing all taxes paid or incurred during the taxable year.

Do not deduct:

- Taxes assessed against local benefits that increase the value of the property assessed;
- Income or profit taxes imposed by the federal government, any state, or foreign country;
- Taxes computed as an addition to, or percentage of, any taxes not deductible under the law;
- Legacy, succession, gift, or inheritance taxes; and
- Sales and local general sales and use taxes.

Line 12 – Fiduciary fees
Enter the deductible fees paid to the fiduciary for administering the estate or trust and other allowable administration costs incurred during the taxable year.

Allowable administration costs are those costs that were incurred in connection with the administration of the estate or trust that would not have been incurred if the property were not held in such estate or trust. These administration costs are not subject to the 2% floor. Trusts' expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor. See instructions for line 15b.

Line 13 – Charitable deduction
Enter the amount from Form 541, Side 2, Schedule A, line 7.

Line 14 – Attorney, accountant, and return preparer fees
Enter deductible attorney, accountant, and return preparer fees paid for the estate or the trust.

Line 15a – Other deductions NOT subject to the 2% floor
Explain on a separate schedule all other authorized deductions that are not deductible elsewhere on Form 541. Enter the total on line 15a.

Include any net interest deduction on interest earned on an enterprise zone (EZ) or targeted tax area (TTA) investment that is more than the expense of earning that interest. Attach form FTB 3805Z, Enterprise Zone Deduction and Credit Summary, or form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Casualty losses. California law generally follows federal law. See federal Form 4684, Casualties and Thefts.

Net operating loss deductions. California law generally follows federal law except that 60% of the loss can be carried forward and there are no carrybacks. However, for taxable years beginning in 2002 and 2003, California has suspended the Net Operating Loss (NOL) carryover deduction. The deduction for disaster losses is not affected by the NOL suspension rules. You may deduct the disaster loss amount available from prior year and current year as shown in your 2003 form FTB 3805V, Part III, Prior Year NOLs from Disaster Losses.

The carryover period for NOLs is extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred after January 1, 2002, and before January 1, 2003.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

See R&TC Sections 17276 through 17276.7 and get form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations — Individuals, Estates, and Trusts; form FTB 3805Z, Enterprise Zone Deduction and Credit Summary; form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary; and form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA) Deduction and Credit Summary.

Line 15b – Allowable miscellaneous itemized deductions subject to the 2% floor
Miscellaneous itemized deductions are deductible only to the extent that the aggregate amount of such deductions exceeds 2% of adjusted gross income (AGI).

The term *"miscellaneous itemized deductions"* does not include deductions relating to:

- Interest under IRC Section 163;
- Taxes under IRC Section 164; and
- Amortization of bond premium under IRC Section 171.

For more exceptions, see IRC Section 67(b).

Trusts' expenses relating to outside investment advice and investment management fees are miscellaneous itemized deductions subject to the 2% floor.

For estates and trusts, AGI is computed by subtracting the following from total income (line 9):

- Fiduciary fees of the estate or trust (line 12);
- Income distribution deduction (line 18); and
- Other deductions claimed on line 10 through line 15a that were incurred in the conduct of a trade or business or the production of income.

See the federal Form 1041 instructions for more information regarding the income distribution deduction and AGI computation.

Note: Generally, you will have to complete Schedule P (541) if the estate or trust takes an income distribution deduction under IRC Section 651 or IRC Section 661.

Unallowable deductions. Deductions are not allowed on Form 541 for:

- Expenses that are allocable to one or more classes of income (other than interest income) exempt from tax;
- Any amount relating to expenses for production of income that is allocable to interest income exempt from tax. For the treatment of interest expense attributable to tax-exempt income, see the instructions for line 10. For the determination of the amount of expense attributable to tax-exempt income, see the instructions for federal Schedule B (Form 1041);
- Decedent's medical and dental expenses paid by the estate; or
- Funeral expenses.

Tax Computation

Line 21a – Regular tax
Determine the tax on the taxable income (line 20) using the Tax Rate Schedule on page 10. Enter the tax on line 21a.

Line 21b – Other taxes

- Tax may be applied to lump-sum distributions from a qualified retirement plan. You must complete Schedule G-1 to figure the amount of tax to enter on line 21b.
- Partial throwback tax on accumulation distribution from trust.

  If an estate or a trust is the beneficiary of a trust and in the current year received a distribution from the trust of income accumulated in prior taxable years (an accumulation distribution), the estate or trust may be liable for a partial throwback tax on the accumulation distribution. Under the throwback rules, the beneficiary of an accumulation distribution is taxed as if the distribution was made in the prior years when the income was accumulated. Figure the throwback tax on form FTB 5870A, Tax on Accumulation Distribution of Trusts. Include the tax on line 21b and attach form FTB 5870A to Form 541.
- Interest on tax deferred under the installment method for certain nondealer property installment obligations.

  If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the estate or trust must include the interest due under IRC Section 453A in the amount to be entered on line 21b. Attach a schedule showing the computation. Write **"IRC Section 453A"** on line 21b. Include the tax in the total on line 21b.
- Tax on an Electing Small Business Trust (ESBT).

  The portion of an ESBT that consists of stock in one or more S corporations must be treated as a separate trust, and the tax must be figured separately on that separate trust. Figure the tax on the S corporation items making the following modifications:
  - If the trust holds S corporation stock and no other assets, the trust should:

(continued on page 9)

CREDIT CHART

Credit Name	Code	Description
Community Development Financial Institution Deposits	209	20% of each qualified deposit made to a community development financial institution. Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capitol Mall, 16th Floor, Sacramento CA 95814
Disabled Access for Eligible Small Businesses – FTB 3548	205	Similar to the federal credit but limited to $125 based on 50% of qualified expenditures that do not exceed $250.
Donated Agricultural Products Transportation – FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations.
Employer Child Care Contribution – FTB 3501	190	Employer: 30% of contributions to a qualified plan.
Employer Child Care Program – FTB 3501	189	Employer: Cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery – FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California.
Enterprise Zone Hiring & Sales or Use Tax – FTB 3805Z	176	Business incentives for enterprise zone businesses.
Farmworker Housing Construction	207	50% of new construction or rehabilitation costs for farmworker housing. Obtain certification from: Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento, CA 95814.
Joint Strike Fighter – FTB 3534		
Wages	215	50% of qualified wages paid or incurred, not to exceed $10,000.
Property	216	10% of the cost of property placed in service in California.
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax – FTB 3807	198	Business incentives for LAMBRAs.
Low-Income Housing – FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Natural Heritage Preservation – FTB 3503	213	55% of the fair market value of any qualified contribution. Suspended (07/01/02 – 06/30/03)
Manufacturers' Investment – FTB 3535	199	6% of the cost of qualified property.
Manufacturing Enhancement Area (MEA) Hiring – FTB 3808	211	Percentage of qualified wages paid to qualified disadvantaged individuals.
Other State Tax – Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California (trusts only).
Prior Year Alternative Minimum Tax – FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability.
Prison Inmate Labor – FTB 3507	162	10% of wages paid to prison inmates.
Research – FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California.
Rice Straw	206	$15 per ton of purchased rice straw grown in California. Obtain certification from: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N St, Room A400, Sacramento, CA 95814
Solar Energy System - FTB 3508	217	The lesser of 15% of the cost and installation of a solar energy system, or $4.50 per rated watt of generating capacity of that system
Targeted Tax Area (TTA) Hiring & Sales or Use Tax – FTB 3809	210	Business incentives for TTA businesses.

Repealed Credit: The expiration dates for these credits have passed. However, these credits had carryover provisions. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (541), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Agricultural Products	175
Commercial Solar Electric System	196
Commercial Solar Energy	181
Employee Ridesharing	194
Employer Ridesharing: Large employer	191
Employer Ridesharing: Small employer	192
Employer Ridesharing: Transit passes	193
Energy Conservation	182
Los Angeles Revitalization Zone (LARZ) Hiring & Sales or Use Tax	159
Low-Emission Vehicles	160
Orphan Drug	185
Political Contributions (trusts only)	184
Recycling Equipment	174
Residential Rental & Farm Sales (trusts only)	186
Ridesharing	171
Salmon & Steelhead Trout Habitat Restoration	200
Solar Energy	180
Solar Pump	179
Water Conservation	178

(continued from page 7)

- Only report the items described in IRC Section 641(c)(2)(C)
- Take no other deductions (including the distribution deduction) or credits, and
- Pay tax at the highest individual rate.

– If the trust holds S corporation stock and other assets, report the income, deductions, and credits from the assets other than S corporation stock on Form 541, and report the items described in IRC Section 641(c)(2)(C) on a separate schedule. On the separate schedule, figure the trust's tax on the items described in IRC Section 641(c)(2)(C) using the highest rate applicable to individuals, carry that amount over to line 21b on side one of Form 541 and attach the separate schedule to the return.

Do not apportion to the beneficiaries any of the S corporation items of income, loss, deduction, or credit. Attach the tax computation to the return.

REMIC Annual Tax

- Enter the $800 REMIC annual tax on line 21b and line 27, tax liability. REMIC annual tax is not eligible for exemption credits.

Line 21c – QSF Tax

QSF is a Qualified Settlement Fund (including designated settlement funds). Determine the tax using corporate tax rates under R&TC Section 24693. For more information, see General Information B.

Tax Credits

Line 22 – Exemption credit

An estate is allowed an exemption credit of $10. A trust is allowed an exemption credit of $1.

Note: If a final distribution of assets was made during the year, all taxable income of the estate or trust must be entered on line 18 as distributed to beneficiaries, and no exemption credit is allowable.

Line 23 – Credits

Various California tax credits are available to reduce the tax. For most credits, a separate schedule or statement must be completed and attached to Form 541. See the credit chart on page 8 for a list of the credits, their codes, and a brief description of each.

How to claim California tax credits:

1. Figure the amount of each credit using the appropriate form.
2. Use the Credit Limitation Worksheet to determine if the credits are limited. Complete the worksheet unless federal Schedules C, D, E, or F (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $33,272.

   a) If federal Schedules C, D, E, or F (Form 1041) were not completed and the amount entered on Form 541, line 17, is less than $33,272, **do not** complete the credit limitation worksheet. The credits are not limited.

   b) If the estate or trust completed federal Schedule C, D, E, or F and claimed or received any of the following:

   - Accelerated depreciation in excess of straight-line;
   - Intangible drilling costs;
   - Depletion;
   - Circulation expenditures;
   - Research and experimental expenditures;
   - Mining exploration/development costs;
   - Amortization of pollution control facilities;
   - Income/loss from tax shelter farm activities;
   - Income/loss from passive activities;
   - Income from long-term contracts using the percentage-of-completion method; or
   - California qualified stock options (CQSOs).

   Yes Complete Schedule P (541).
   No Go to item (c).

   c) If the estate or trust claimed or received any of the following:

   - AMT adjustment from another estate or trust;
   - Investment interest expense;
   - Income from incentive stock options in excess of the amount reported on Form 540 or Form 540NR (Long or Short);
   - Charitable contribution deduction for appreciated property;
   - Income from installment sales of certain property;
   - Net operating loss deduction or disaster loss carryover reported on form(s) FTB 3805V, FTB 3805Z, FTB 3807, or FTB 3809; or
   - Excluded gain on the sale of qualified small business stock (see R&TC Section 18152.5).

   Yes Complete Schedule P (541).
   No Complete the Credit Limitation Worksheet that follows.

Credit Limitation Worksheet

A	Enter the amount from Form 541, line 21	**A** ____
B	Enter personal property taxes and real property taxes paid. This includes any state and local personal property and state, local, or foreign real property taxes on Form 541, line 11	**B** ____
C	Enter miscellaneous itemized deductions from Form 541, line 15b	**C** ____
D	Add line B and line C	**D** ____
E	Enter any refund of personal property tax or real property tax. Do not enter the amount of your state income tax refund	**E** ____
F	Subtract line E from line D	**F** ____
G	Enter the amount from Form 541, line 20	**G** ____
H	Add line F and line G	**H** ____
I	Enter $33,272	**I** ____
J	Subtract line I from line H. If zero or less, enter -0-	**J** ____
K	Multiply line J by .07	**K** ____
L	Subtract line K from line A. If less than zero, enter -0-	**L** ____
M	Enter the total of your credits	**M** ____

- If line L is more than line M, your credits are not limited. Go to “Claiming Credits on Form 541,” below.
- If line L is less than line M, get and complete Schedule P (541).

Claiming Credits on Form 541

If the conditions above do not apply, do not complete Schedule P (541).

Each credit is identified by a code number. If you claim one credit, enter the credit code number and amount of the credit on line 23.

If you claim more than one credit, you must use Schedule P (541), Part IV, to figure the total credit amount. Enter on Form 541, line 23, the total of line 4b through line 16b of Schedule P (541), Part IV. Attach Schedule P (541) and any required supporting schedules or statements to Form 541.

If the estate or trust claims a credit with carryover provisions and the amount of the credit available this year exceeds the estate’s or trust’s tax, it may carry over any excess credit to subsequent years until the credit is used.

If you claim a credit carryover for a repealed credit, use form FTB 3540, Credit Carryover Summary, to figure this credit, unless you are required to complete Schedule P (541). In that case, enter the amount of the credit on Schedule P (541), Section B and do not attach form FTB 3540.

Other Taxes

Line 26 – Alternative minimum tax (AMT)

If certain types of deductions, exclusions, and credits are claimed, the estate or trust may be subject to California’s AMT. Get Schedule P (541) to figure the amount of tax to enter on line 26.

California law conforms to the existing federal law eliminating the deduction for contributions of appreciated property as an item of tax preference. As a result, taxpayers no longer need to include in their computation of AMTI the amount by which any allowable deduction for contributions of appreciated property exceeds the taxpayer’s adjusted basis in the contributed property.

Note: Schedule P (541) must be completed regardless of whether the estate or trust is subject to AMT if an income distribution deduction is reported on line 18.

Tax and Payments

Line 28 – California income tax withheld

Attach federal Form(s) W-2 if the fiduciary claims credit for California income tax withheld on a decedent’s wages and salaries received by the fiduciary. **Caution:** Do not include withholding from Forms 597, 594, or 592-B on this line.

Line 29 – California income tax previously paid (minus tax allocated to beneficiaries)

Use this line only if you are filing an amended return. Enter payments made with the original return plus additional tax paid after the original return was filed. Enter the serial numbers that the FTB stamped on the face of the cancelled check(s) (for each previous payment) if available, on the dotted line to the left of the amount on line 29. If you did not receive a cancelled check or if you made any payment(s) with a credit card, attach a statement showing the check number, the amount of the check or charge, the date posted to your account, and the name of the payee (FTB).

Be sure to reduce the amount of tax previously paid by the amount of estimated tax that the beneficiary treated as a payment.

Line 30 - Real estate or nonresident withholding
Enter the total California tax withheld from your Form(s) 597, 594, or 592-B. Attach a copy of Form 597, 594, or 592-B to the lower front of Form 541, Side 1.

Caution: An estate or trust that has real estate or nonresident withholding should only claim the credit if the estate or trust did not distribute the related income in the current year. If the estate or trust did distribute the related income, the estate or trust should prepare Form 592 and Form 592-B to distribute the credit to the beneficiaries who will report the taxable income and claim the share of the credit on their California income tax returns. See the instructions for these forms for more information. Do not include withholding from other forms on this line.

Line 31 – 2003 CA estimated tax payments, amount applied from 2002 return, and payments with form FTB 3563
Enter the amount of any estimated tax payment the estate or trust made on Form 541-ES, Estimated Tax for Fiduciaries, for 2003. Also, enter the amount of any overpayment from the 2002 return that was applied to the 2003 estimated tax. Include payments made with form FTB 3563.

The trustee (or executor under certain circumstances) may elect to allocate to the beneficiary a portion of estimated payments. Use Form 541-T. Be sure to reduce the amount of estimated tax payments you are claiming by the amount allocated to the beneficiary on Form 541-T.

Note: Estimated tax paid by an individual before death must be claimed on the income tax return filed for the decedent and not on the Form 541 filed for the decedent's estate.

Line 32 – Total payments
Enter the total amount of all tax payments.

Line 33 and Line 34 – Tax Due/Overpaid Tax
If the amount on line 27 is larger than the amount on line 32, then the tax is larger than the payments and credits. Subtract line 32 from line 27. This is the amount of tax the estate or trust owes before any voluntary contributions or use tax.

If the amount on line 27 is less than the amount on line 32, then the payments and credits are larger than the tax. Subtract line 27 from line 32. This is the amount of overpaid tax before any voluntary contributions or use tax.

If the estate or trust must compute interest under the look-back method for completed long-term contracts, get form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the estate or trust owes on line 33 or the amount of interest to be credited or refunded to the organization on line 34. Write **"FTB 3834"** on the dotted line to the left of line 33 or line 34, whichever applies.

If the estate or trust completed the credit recapture portion of any of the following, include the recapture amount on line 33. Write the form number and the recaptured amount on the dotted line to the left of line 33.

- Form FTB 3501, Employer Child Care Program/ Contribution Credit;
- Form FTB 3534, Joint Strike Fighter Credit;
- Form FTB 3535, Manufacturers' Investment Credit;
- Form FTB 3805Z, Enterprise Zone Deduction and Credit Summary;
- Form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary;
- Form FTB 3807, Local Agency Military Base Recovery Area (LAMBRA), Deduction and Credit Summary;
- Form FTB 3808, Manufacturing Enhancement Area Credit Summary; or
- Form FTB 3809, Targeted Tax Area Deduction and Credit Summary.

Line 35 – Credit to your 2004 estimated tax
Enter the amount from line 34 that you want applied to the estate's or trust's 2004 estimated tax.

Line 36 – Amount of overpaid tax available this year
If an amount is entered on line 35, subtract it from line 34. Enter the result on line 36. The entire amount may be refunded or voluntary contributions may be made. If you owe use tax, you may offset that amount against this balance.

Line 37 – Use Tax.
As explained on page 2 the estate or trust, may owe California use tax for purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person).

Estates and trusts may now report use tax on their income tax return instead of having to file a use tax return with the California State Board of Equalization. To report use tax on the estate or trust income tax return, complete the Use Tax Worksheet below.

If the estate or trust owe use tax but choose not to report it on their income tax return the estate or trust must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from **www.boe.ca.gov.** The estate and/or trust can also request a copy by calling the State Board of Equalization's Information Center at (800) 400-7115.

Note: Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

See page 2 for a general explanation of California use tax.

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter the estate or trust's total purchases subject to use tax.[1] .... $ ________.00
   See below "Worksheet, Line 1, Purchases Subject to Use Tax" for amounts to enter on this line.
2. Enter the applicable sales and use tax rate.[2] See page 11 . ________
3. Multiply line 1 by the tax rate on line 2. Enter result here. $ ________.00
4. Enter any sales or use tax the estate or trust paid to another state for purchases included on line 1.[3] .... $ ________.00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 37. If the amount is less than zero, enter -0-. . . $ ________.00

1. Include handling charges. Do not include any sales or use tax paid to the seller.
2. Enter the decimal equivalent of the sales and use tax rate. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375. Use the tax rate applicable to the place in California where the property is used, stored, or otherwise consumed.
3. This is a credit for tax paid to other states. Estates and trusts cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if the estate or trust paid $8.00 sales tax to another state for a purchase, and the estate or trust would have paid $6.00 in California, the estate and trust can claim a credit of only $6.00 for that purchase.

2003 Tax Rate Schedule

If the amount on Form 541, line 20 is: | Enter on line 21a:

over —	but not over —			of the amount over —
$ 0	$ 5,962	$ 0	+ 1.0%	$ 0
5,962	14,133	59.62	+ 2.0%	5,962
14,133	22,306	223.04	+ 4.0%	14,133
22,306	30,965	549.96	+ 6.0%	22,306
30,965	39,133	1,069.50	+ 8.0%	30,965
39,133	and over	1,722.94	+ 9.3%	39,133

Worksheet, Line 1, Purchases Subject to Use Tax

- Report only purchases from out-of-state and Internet sellers made during the year that correspond with the income tax return the estates and trusts are filing. For example, use their 2003 return to report taxable purchases made in 2003.
- Report items that would have been taxable in a California store, such as office equipment and supplies. If the estate and trust has questions on whether a purchase is taxable, visit the State Board of Equalization's Website at **www.boe.ca.gov**, or call its Information Center at (800) 400-7115.
- Do not report the following on their income tax return:
  - Vehicles, vessels, and trailers that must be registered with the California Department of Motor Vehicles.
  - Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
  - Vessels documented with the U.S. Coast Guard.
  - Aircraft.
  - Leases of machinery, equipment, vehicles, and other tangible personal property.

Sales and Use Tax Rates by County
(includes state, local, and district taxes)
As of December 31, 2003

County	Rate	County	Rate
Alameda	8.25%	Orange	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa	7.25%	San Benito	7.25%
Contra Costa	8.25%	San Bernardino	7.75%
Del Norte	7.25%	San Diego	7.75%
El Dorado[1]	7.25%	San Francisco	8.50%
Fresno[1]	7.875%	San Joaquin	7.75%
Glenn	7.25%	San Luis Obispo	7.25%
Humboldt	7.25%	San Mateo	8.25%
Imperial[1]	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz	8.00%
Kings	7.25%	Shasta	7.25%
Lake[1]	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles[1]	8.25%	Solano	7.375%
Madera	7.75%	Sonoma[1]	7.50%
Marin	7.25%	Stanislaus	7.375%
Mariposa	7.75%	Sutter	7.25%
Mendocino[1]	7.25%	Tehama	7.25%
Merced	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare	7.25%
Mono	7.25%	Tuolumne	7.25%
Monterey	7.25%	Ventura	7.25%
Napa	7.75%	Yolo[1]	7.25%
Nevada[1]	7.375%	Yuba	7.25%

[1] Many cities and towns in California impose a district tax, which results in a higher sales and use tax than in other parts of the county. If the estate and trust are reporting an item that was purchased for use in any of the following cities or towns, please use the appropriate tax rates for those areas. The following tax rates apply within the city limits or the town limits of the listed community.

County	City or Town with a Special Tax District	Tax Rate
El Dorado	Placerville	7.50%
Fresno	Clovis	8.175%
Imperial	Calexico	8.25%
Lake	Clearlake	7.75%
Los Angeles	Avalon	8.75%
Mendocino	Willits (effective October 1, 2003)[2]	7.75%
Nevada	Truckee	7.875%
Sonoma	Sebastopol (effective April 1, 2003)[3]	7.625%
Yolo	West Sacramento (effective April 1, 2003)[4]	7.75%
Yolo	Woodland	7.75%

[2] The tax rate in the City of Willits prior to October 1, 2003 is 7.25%.
[3] The tax rate in the City of Sebastopol prior to April 1, 2003 is 7.50%.
[4] The tax rate in the City of West Sacramento prior to April 1, 2003 is 7.25%.

Line 38 – Total voluntary contributions
Add voluntary contributions to the amount on line 33 or subtract voluntary contributions from the amount on line 36. The amount of tax due, including the contributions, must be paid when the return is filed. See Schedule C, Voluntary Contributions, for more information.

Line 39 – Refund or no amount due
If no amount is entered on line 37 or line 38, enter the amount from line 36 on line 39. This is the amount that will be refunded. If this amount is less than $1, attach a written statement to the return requesting the refund.

If an amount is entered on line 37 and line 38, subtract it from the amount on line 36. If the result is more than zero, enter the result on line 39. If the result is less than zero, this means that the voluntary contributions and/or use tax are more than the amount of overpaid tax available this year on line 36. In this case, add line 37 and line 38. Subtract the total from line 36 and enter the result on line 40.

Line 40 – Amount due
If no amount is entered on line 37 or line 38, enter the amount from line 33 on line 40. This is the amount due with the return.

If an amount is entered on line 37 or line 38, add those amounts to the amount on line 33. Enter the result on line 40. This is the amount due with the return.

If no amount is entered on line 33, add line 37 and line 38. Subtract the total from line 36 and enter the result as a positive number on line 40. Otherwise, add line 33, line 37, and line 38 and enter the total on line 40.

Line 41 – Underpayment of estimated tax penalty
If line 40 is $200 or more and more than 20% of the sum of the tax on line 25, or if the estate or trust underpaid its estimated tax liability for any payment period, it may owe a penalty. The FTB will figure the penalty for the estate or trust and send a bill. The estate or trust may get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries, or form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to see if it owes a penalty and to figure the amount of the penalty. If the estate or trust completes form FTB 5805 or form FTB 5805F, be sure to attach the form to the back of Form 541. Enter the amount of the penalty on line 41 and fill in the correct circle on line 41.

Also, complete and attach form FTB 5805 or form FTB 5805F if claiming a waiver or using the annualized income installment method.

Schedule A Charitable Deduction

California law generally follows federal law.

A trust claiming a charitable deduction, etc., under IRC Section 642(c) for the taxable year must file the information return required by R&TC Section 18635 on Form 541-A.

California law follows federal law for contributions:

- Attributable to current income; and
- Not attributable to current income.

See the instructions for completing line 1 through line 7 of federal Schedule A (Form 1041).

Schedule B Income Distribution Deduction

California law generally follows federal law.

Note: Schedule P (541) must be completed if the estate or trust had an income distribution deduction.

Line 1 – If the amount on Side 1, line 17, is less than zero and the negative number is attributable in whole or in part to the capital loss limitation rules under IRC Section 1211(b), then enter as a negative number on Schedule B, line 1, the lesser of the loss from Side 1, line 17, or the loss from Side 1, line 4. If the negative number is not attributable to the capital loss on line 4, enter -0-.

Line 2 – Figure the adjusted tax-exempt interest as follows:

From the amount of tax-exempt interest received, subtract the total of 1 and 2 below.

1. The amount of tax-exempt interest, including exempt interest dividends from qualified mutual funds, on Schedule A (541), line 4.
2. Any disbursements, expenses, losses, etc., directly or indirectly allocable to the interest (even though described as not deductible under R&TC Section 17280).

Figure the amount of the indirect disbursements, etc., allocable to tax-exempt interest as follows:

1. Divide the total tax-exempt interest received by the total of all the items of gross income (including tax-exempt interest) included in distributable net income.
2. Multiply the result by the total disbursements, etc., of the trust that are not directly attributable to any items of income.

Include any nontaxable gain from installment sales of small business stock sold prior to October 1, 1987, and includable in distributable net income.

Line 3 – Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. If the amount on Schedule D (541), line 9, column (a) is a net loss, enter -0-.

If the estate or trust excluded gain from the sale of qualified small business stock pursuant to R&TC Section 18152.5, be sure to add back the amount of the exclusion. (R&TC Section 17750)

Line 9 and Line 10 – These lines provide for the computation of the deduction allowable to the fiduciary for amounts paid, credited, or required to be distributed to the beneficiaries of the estate or trust. The deduction is equal to the amounts paid, credited, or required to be distributed or the distributable net income, whichever is smaller, adjusted in either case to exclude items of tax-exempt income entering into distributable net income. See the instructions for completing federal Schedule B, Income Distribution Deduction (Form 1041), and attach Schedule J (541), Trust Allocation of an Accumulation Distribution, if required.

Complete and attach to Form 541 a properly completed Schedule K-1 (541) for each beneficiary. An FTB approved substitute form or the information notice sent to beneficiaries may be used if it contains the information required by Schedule K-1 (541).

For more information, see General Information D, Additional Forms You May Have to File.

Schedule C
Voluntary Contributions

Line 1 through Line 10
The estate or trust may make voluntary contributions of $1 or more in whole dollar amounts to the funds listed in this section. If one or more voluntary contributions are made, complete Schedule C.

On Form 541, Side 2, line 38, enter the amount of the total voluntary contributions from Schedule C, line 11. If Schedule C is not completed, do not enter an amount on line 38.

If there is an overpaid tax on Form 541, line 36, the amount contributed must be subtracted from the overpaid tax. If there is a tax due on Form 541, line 33, the total contributions must be added to the tax due.

Alzheimer's Disease/Related Disorders Fund. Contributions will be used to conduct a program for researching the cause and cure of Alzheimer's disease and related disorders and research into the care and treatment of persons suffering from dementing illnesses.

California Fund for Senior Citizens. Contributions will provide for Senior Citizens Adult Day Health Care Centers, nutrition centers, respite care, long-term care, senior citizen abuse prevention programs, Alzheimer day care programs, and the California Senior Legislature (CSL). The CSL are volunteers who prioritize statewide requirements of seniors and propose legislation in areas of health, housing, transportation, and community services. Any excess contributions not required by the CSL will be distributed to senior citizen service organizations throughout California.

Rare and Endangered Species Preservation Program. Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.

State Children's Trust Fund for the Prevention of Child Abuse. Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.

California Breast Cancer Research Fund. Contributions will be used to conduct research relating to the prevention, screening, cure, and treatment of breast cancer.

California Firefighters' Memorial Fund. Contributions will be used for repair and maintenance of the California Firefighters' Memorial on the grouns of the State Capital. Ceremonies to honor the memory of fallen firefighters and to assist surviving loved ones, and for an information guide detailing survivor benefits to assist the spouses and children of fallen firefighters.

Emergency Food Assistance Program Fund. Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.

California Peace Officer Memorial Foundation Fund. Contributions will permit the Foundation to preserve the memory of our fallen comrades by maintaining a memorial on State Capitol grounds, and updating it annually to memorialize officers killed in the line of duty each year. Beginning with California statehood, peace officers have laid their lives on the line to protect law-abiding citizens. Since then over 1,300 courageous peace officers have fallen in the line of duty. The California Peace Officer Memorial Foundation is a non-profit charitable organization committed to honoring those heroes by assisting their survivors by offering moral support, counseling, and financial support, including academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California we thank you for your participation.

American Lung Association Fund. Contributions will support the American Lung Association of California's scientific peer-reviewed research program that provides grants to develop and advance the understanding and causes of lung disease, the third leading cause of death. Find out more at **www.californialung.org**.

California Missions Foundation Fund. Contributions will be used to restore and repair the Spanish colonial and mission era missions in this state and to preserve the artworks and artifacts of these missions.

Line 11 – Total Voluntary Contributions
Add the amounts entered on line 1 through line 10. Enter the total here and on Form 541, Side 2, line 38. If no amounts are entered on line 1 through line 11 of Schedule C, do not enter an amount on Form 541, line 38.

Non-California Source Income and Deduction Apportionment Worksheet

Use the worksheet to determine the amounts to enter on Form 541, Side 1, line 1 through line 15b.

Column A: Enter the California sourced income amount for lines 1 through 8.

Column B: Enter the non-California sourced income amount for lines 1 through 8.

Column C: Multiply Column B by

$$\frac{\text{The number of CA trustees}}{\text{The total number of trustees}}$$

Column D: Subtract Column C from Column B.

Column E: Multiply Column D by

$$\frac{\text{The number of CA non-contingent beneficiaries}}{\text{The total number of non-contingent beneficiaries}}$$

Column F: Add Columns A, C, and E.

Line 9: Total lines 1 through 8 for Column A through Column F.

Column G: Enter the total amount of deductions for lines 10 through 15b.

Column H: Multiply the amounts in Column G, lines 10 through 15b by

$$\frac{\text{Line 9, Column F}}{\text{Line 9, Column A plus B}}$$

Other Information

Line 7 – The trustee is required to disclose the number of the trust's California resident trustees, nonresident trustees, total trustees, California resident noncontingent beneficiaries, nonresident noncontingent beneficiaries, and total noncontingent beneficiaries. For line 7(a) and line 7(b), provide the total number of California resident trustees and the total number of California nonresident trustees who served the trust during any portion of the trust's taxable year. If a trustee ceased to serve the trust during any portion of the taxable year, changed residence during the taxable year, or began serving the trust during the taxable year, please attach an additional sheet identifying the particular trustee and the relevant date or dates, and describing the event. For line 7(d) and line 7(e), only include non-contingent beneficiaries as provided in R&TC Section 17742. If the trust has no California resident noncontingent beneficiaries or no nonresident noncontingent beneficiaries, enter zero on line 7d or 7e, respectively.

TAXABLE YEAR

2003 California Fiduciary Income Tax Return

FORM **541**

For calendar year 2003 or fiscal year beginning month________ day________ year 2003, and ending month________ day________ year________

● Type of entity:
(1) ☐ Decedent's estate
(2) ☐ Simple trust
(3) ☐ Complex trust
(4) ☐ Grantor type trust
(5) ☐ Bankruptcy estate – Chapter 7
(6) ☐ Bankruptcy estate – Chapter 11
(7) ☐ Pooled income fund
(8) ☐ ESBT (S portion only)
(9) ☐ QSST

Name of estate or trust | Federal employer identification no. (FEIN)

Name and title of all fiduciaries, see instructions | PBA Code

Address of fiduciary (number and street including suite number, PO Box, or rural route) | PMB no.

City | State | ZIP Code

P AC A R RP

Check applicable boxes: ● ☐ Initial return ☐ Final return ☐ REMIC
☐ Amended return. Attach explanation and schedules ☐ Change in fiduciary's name or address

Trusts that have nonresident trustees or beneficiaries see Side 3, Non-California Source Income and Deduction Apportionment Worksheet.

Income

1	Interest income	1
2	Dividends	2
3	Business income or (loss). Attach federal Schedule C or C-EZ (Form 1040) ●	3
4	Capital gain or (loss). Attach Schedule D (541) ●	4
5	Rents, royalties, partnerships, other estates and trusts, etc. Attach federal Schedule E (Form 1040) ●	5
6	Farm income or (loss). Attach federal Schedule F (Form 1040) ●	6
7	Ordinary gain or (loss). Attach Schedule D-1 ●	7
8	Other income. See instructions. State nature of income________ ●	8
9	Total income. Combine line 1 through line 8 ●	9

Deductions

10	Interest	10
11	Taxes	11
12	Fiduciary fees ●	12
13	Charitable deduction. Enter the amount from Side 3, Schedule A, line 7 ●	13
14	Attorney, accountant, and return preparer fees	14
15	a Other deductions not subject to 2% floor. Attach schedule ●	15a
	b Allowable misc. itemized deductions subject to 2% floor ●	15b
	c Total. Add line 15a and line 15b ●	15c
16	Total. Add line 10 through line 14 and line 15c ●	16
17	Adjusted total income (or loss). Subtract line 16 from line 9. Enter here and on Side 3, Schedule B, line 1 ●	17
18	Income distribution deduction from Side 3, Schedule B, line 15. Attach Schedule K-1 (541) ●	18
20	Taxable income of fiduciary. Subtract line 18 from line 17	20

Tax and Payments

21	**a** Regular tax ________; **b** Other taxes ________; **c** QSF tax ________; **d** Total ●	21
22	Exemption credit ($10.00 for an estate, $1.00 for a trust). See instructions	22
23	Credits. Attach worksheet. If one credit, enter code ● ☐ ●	23
	Note: If more than one credit, see instructions.	
24	Total. Add line 22 and line 23 ●	24
25	Subtract line 24 from line 21	25
26	Alternative minimum tax. Attach Schedule P (541) ●	26
27	Tax liability. Add line 25 and line 26 ●	27
28	California income tax withheld, see instructions ■	28
29	California income tax previously paid. See instructions ■	29
30	Real estate or nonresident withholding (Form(s) 597, 594, or 592-B). See instructions ■	30
31	2003 CA estimated tax, amount applied from 2002 return, and payment with form FTB 3563 ■	31
32	Total payments. Add line 28, line 29, line 30, and line 31	32
33	Tax due. Subtract line 32 from line 27 ■	33

Tax and Payments

34	Overpaid tax. Subtract line 27 from line 32 from Side 1	■ 34	
35	Amount of line 34 to be credited to **2004** estimated tax	■ 35	
36	Amount of overpaid tax available this year. Subtract line 35 from line 34	■ 36	
37	Use tax. See instructions	● 37	
38	Total voluntary contributions from Schedule C, line 11 below	38	
39	**Refund or No Amount Due.** See instructions	39	, , .
40	**Amount Due.** See instructions	40	, , .
41	Underpayment of estimated tax. Fill in circle: ○ FTB 5805 attached ○ FTB 5805F attached	■ 41	

Schedule C Voluntary Contributions. See instructions.

1	Alzheimer's Disease/Related Disorders Fund	● 53	00
2	California Fund for Senior Citizens	● 54	00
3	Rare and Endangered Species Preservation Program	● 55	00
4	State Children's Trust Fund for the Prevention of Child Abuse	● 56	00
5	California Breast Cancer Research Fund	● 57	00
6	California Firefighters' Memorial Fund	● 58	00
7	Emergency Food Assistance Program Fund	● 59	00
8	California Peace Officer Memorial Foundation Fund	● 60	00
9	Asthma and Lung Disease Research Fund	● 61	00
10	California Missions Foundation Fund	● 62	00

11 **Total voluntary contributions.** Add line 1 through line 10. Enter here and on line 38 ● 64 | 11 | 00

Other Information Note: Income of final year is taxable to beneficiaries

1 Date trust was created or, if an estate, date of decedent's death:
●____________________

2 a If an estate, was decedent a California resident? __________
b Was decedent married at date of death? __________
c If yes, enter surviving spouse's social security number and name:
____

3 If an estate, enter fair market value (FMV) of:
a Decedent's assets at date of death __________
b Assets located in California __________
c Assets located outside California __________

4 If this is the final return, enter date of court order authorizing final distribution of the estate __________

5 Did the estate or trust receive tax-exempt income? __________
If yes, attach computation of the allocation of expenses.

6 Is this return for a short taxable year? __________

7 If a trust, enter number of:
a California resident trustees ● __________
b Nonresident trustees ● __________
c Trustees (line a plus line b) ● __________
d California resident beneficiaries ● __________
e Nonresident beneficiaries ● __________
f Beneficiaries (line d plus line e) ● __________

8 Is the trust required to complete federal Form 8271? __________
If federal Form 8271 is required, please attach a copy to this form.

9 **Attach a copy of 2003 federal Form 1041, pages 1 and 2.**

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ ____________________ Date
Signature of fiduciary or officer representing fiduciary

Paid Preparer's Use Only

Preparer's signature ▶ ____________________ Date | Check if self-employed ▶ ☐ ● | Preparer's SSN or PTIN

Firm's name (or yours, if self-employed) and address ▶ ____________________ ● | FEIN

● Telephone (   )

Schedule A **Charitable Deduction** Do not complete for a simple trust or a pooled income fund. Attach statement listing the name and address of each charitable organization to which your contributions totaled $3000 or more.

1 a Amounts paid for charitable purposes from gross income . . . . . . 1a ________

b Amounts permanently set aside for charitable purposes from gross income. See instructions . . . . 1b ________

c Total. Add line 1a and line 1b . . . . 1c ________

2 Tax-exempt income allocable to charitable contributions. See instructions . . . . 2 ________

3 Subtract line 2 from line 1c . . . . 3 ________

4 Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes . . . . 4 ________

5 Add line 3 and line 4 . . . . 5 ________

6 R&TC Section 18152.5 exclusion allocable to capital gains paid or permanently set aside for charitable purposes . . . . 6 ________

7 **Charitable deduction.** Subtract line 6 from line 5. Enter here and on Side 1, line 13 . . . . 7 ________

Schedule B **Income Distribution Deduction**

1 Adjusted total income. Enter amount from Side 1, line 17 . . . . 1 ________

2 Adjusted tax-exempt interest and nontaxable gain from installment sale of small business stock. See instructions . . . . 2 ________

3 Net gain shown on Schedule D (541), line 9, column a. If net loss, enter -0-. See instructions . . . . 3 ________

4 Enter amount from Schedule A, line 4 (reduced by any allocable R&TC Section 18152.5 exclusion) . . . . 4 ________

5 Enter capital gain included on Schedule A, line 1 . . . . 5 ________

6 If the amount on Side 1, line 4 is a gain, enter the amount here as a negative number. If the amount on Side 1, line 4 is a loss, enter the loss as a positive number . . . . 6 ________

7 Distributable net income. Combine line 1 through line 6 . . . . 7 ________

8 Income for the taxable year determined under the governing instrument (accounting income) . . . . 8 ________

9 Income required to be distributed currently (IRC Section 651) . . . . 9 ________

10 Other amounts paid, credited, or otherwise required to be distributed (IRC Section 661) . . . . 10 ________

11 Total distributions. Add line 9 and line 10. If the result is greater than line 8, see federal Form 1041 instructions for line 12 to see if you must complete Schedule J (541) . . . . 11 ________

12 Enter the total amount of tax-exempt income included on line 11 . . . . 12 ________

13 Tentative income distribution deduction. Subtract line 12 from line 11 . . . . 13 ________

14 Tentative income distribution deduction. Subtract line 2 from line 7 . . . . 14 ________

15 **Income distribution deduction.** Enter the smaller of line 13 or line 14 here and on Side 1, line 18 . . . . 15 ________

Non-California Source Income and Deduction Apportionment Worksheet

Income Allocation Worksheet

Type of Income	A CA Source Income	B Non-CA Source Income	C Apportioned Based on the # of CA Trustees	D Remaining Non-CA Source Income	E Apportioned Based on the # of CA Beneficiaries	F Total Income Taxable to CA
1 Interest						
2 Dividends						
3 Business Income						
4 Capital Gain						
5 Rents, Royalties, etc.						
6 Farm Income						
7 Ordinary Gain						
8 Other Income						
9 Total Income						

Deduction Allocation Worksheet

Type of Deduction	G Total deductions	H Amounts allocable to CA
10 Interest		
11 Taxes		
12 Fiduciary fees		
13 Charitable deduction		
14 Attorney, accountant, and return preparer fees		
15a Other deduction not subject to 2% floor		
15b Allowable misc. itemized deductions subject to 2% floor		

THIS PAGE INTENTIONALLY LEFT BLANK

Visit our Website:

www.ftb.ca.gov

TAXABLE YEAR

2003 Capital Gain or Loss

CALIFORNIA SCHEDULE

D (541)

Attach to Form 541 or Form 109.

Name of estate or trust

Federal employer identification number (FEIN)

Part I Capital Gain and Loss

(a) Description of property: Example, 100 shares 7% preferred of "Z" Co.	(b) How was property held, community, separately, jointly	(c) Date acquired, mo., day., yr.	(d) Date sold, mo., day., yr.	(e) Gross sales price	(f) Cost or other basis, as adjusted, plus expense of sale	(g) Gain (or loss), column (e) less column (f)
1						

2 Capital gain from installment sales from form FTB 3805E, line 26 or line 37 . . . . . . 2 ________

3 Enter your share of net gain or (loss) from partnerships, S corporations, limited liability companies (LLCs), and other fiduciaries 3 ________

4 Capital gain distributions. See instructions . . . . . . 4 ________

5 Net gain or (loss). Combine line 1, column (g), line 2, line 3, and line 4 . . . . . . 5 ________

6 Enter gain, if applicable, from Schedule D-1 . . . . . . 6 ________

7 Capital loss carryover from prior years. **Note:** There is no capital loss carryover from a decedent to an estate . . . . . . 7 ________

8 Net gain or (loss). Combine line 5, line 6, and line 7 . . . . . . 8 ________

Part II Summary of Part I

	(a) Beneficiaries	(b) Fiduciary	(c) Total
9 Total net gain or (loss) from line 8, above. If line 9, column (c), is a net gain, enter the gain on Form 541, line 4. If line 9, column (c), is a net loss, complete Part III. See instructions 9			

Part III Computation of Capital Loss Limitation

10 Enter here and enter as a loss on Form 541, line 4, the smaller of:

- The net loss on line 9, column (c) or $3000 10

Part IV Computation of Capital Loss Carryover from 2003 to 2004

Use the Capital Loss Carryover Worksheet in the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, if the net loss on line 8 is more than $3000, to determine the capital loss carryover. Attach a copy of Schedule D (Form 1041) to Form 541.

TAXABLE YEAR

2003 Depreciation and Amortization

CALIFORNIA FORM

3885F

Attach to Form 541 or Form 109.

Name of estate or trust

Federal employer identification number (FEIN)

Assets placed in service after 12/31/02 (depreciation) Intangibles placed in service after 12/31/02 (amortization)			Depreciation			Amortization		
(a) Description of property	(b) Date acquired, mo., day, yr.	(c) Cost or other basis	(d) Method of figuring depreciation	(e) Life or rate	(f) Depreciation for this year	(g) Code section	(h) Period or percentage	(i) Amortization for this year
1								
Add line 1 column (f) and column (i) amounts. See instructions								

Depreciation

2 California depreciation for assets placed in service before January 1, 2003 . . . . . . 2 ________

Note: Be sure to make adjustments for any basis differences.

3 Total California depreciation. Add line 1(f) and line 2 . . . . . . 3 ________

Amortization

4 California amortization for intangibles placed in service before January 1, 2003 . . . . . . 4 ________

Note: Be sure to make adjustments for any basis differences.

5 Total California amortization. Add line 1(i) and line 4 . . . . . . 5 ________

6 Total depreciation and amortization. Add line 3 and line 5. Enter amount on the appropriate line of federal Schedule(s) C or C-EZ, E, F, or Form 541, line 15a. . . . . . . 6 ________

THIS PAGE INTENTIONALLY LEFT BLANK

Instructions for Schedule D (541)

Capital Gain or Loss

General Information

Federal/State Conformity
In general, California law conforms to the Internal Revenue Code (IRC) as of January 1, 2001. However, there are continuing differences between California and federal law. It should be noted that California does not always conform to the entire provisions of a public law. California has conformed to some of the changes made to the IRC after January 1, 2001, including some provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16), the Victims of Terrorism Tax Relief Act of 2001 (Public Law 107-134), and the Job Creation and Worker Assistance Act of 2002 (Public Law 107-147). California has not conformed to any of the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (Public Law 108-27) and the Military Family Tax Relief Act of 2003 (Public Law 108-121).

Internet Access
You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**.

Access other state agencies' websites through the State Agency Index on California's Website at **www.ca.gov**.

Purpose

Use Schedule D (541), Capital Gain or Loss, to report gains and losses from the sale or exchange of capital assets by an estate or trust. Generally, California law follows federal law.

To report sales or exchanges of property other than capital assets, including the sale or exchange of property used in a trade or business and involuntary conversions (other than casualties and thefts), get California Schedule D-1, Sales of Business Property.

If property is involuntarily converted because of casualty or theft, complete federal Form 4684, Casualties and Thefts, using California amounts.

Note: California does not have a special capital gain tax rate.

Qualified Small Business Stock
California Revenue and Taxation Code (R&TC) Section 18152.5 provides an exclusion (similar to the federal exclusion under IRC Section 1202) for 50% of the gain on the sale of qualifying small business stock originally issued after August 10, 1993, that was held for more than five years. However, for California purposes, 80% of the issuing corporation's payroll must be attributable to employment located within California, and at least 80% of the value of the corporation's assets must be used by the corporation to actively conduct one or more qualified trades or businesses in California.

Estates and trusts are eligible for the exclusion; however, estates and trusts (other than common trust funds) may not pass through the exclusion to their beneficiaries.
See R&TC Section 17750.

A Miscellaneous Information

See the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, for the definition of capital assets.

In computing gross income, no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

B Basis

California law generally follows federal law with respect to basis. In determining the basis of property acquired after December 31, 1920, by:

- Gift:
  1. Generally, use the donor's basis if the transaction results in a gain; or
  2. Use the lower of the donor's basis or the fair market value (FMV) on the date of the gift if the transaction results in a loss.
- Bequest, devise, or inheritance:
  Use the FMV at the date of death, unless an alternate valuation date election is made under IRC Section 2032.

In determining the basis of property acquired before March 1, 1913, use:

- The cost as adjusted or the FMV as of March 1, 1913, whichever is greater, in determining the gain; and
- The cost as adjusted in determining the loss.

For special cases involving property acquired from a decedent before 1987, see former R&TC Sections 18031 through 18033.

The basis of the decedent's one-half of community property is the FMV at date of death. The basis of the surviving spouse's one-half of community property is the original cost or adjusted basis except:

- If death occurred after April 7, 1953, and prior to January 1, 1976, and one-half of the whole of the community property was included in the determination of the State Inheritance Tax, the basis is the FMV at date of death; or
- If death occurred after December 31, 1975, and prior to June 8, 1982, and the surviving spouse does not receive any portion of the decedent's one-half of the community property, the basis is the FMV at date of death; or
- If death occurred after December 31, 1986, the basis of the surviving spouse's one-half of community property becomes the FMV on the date of the decedent's death.

For more information, get FTB Pub. 1039, Basis of Property Decedent and Surviving Spouse.

Specific Line Instructions

Note: If you file Form 109, California Exempt Organization Business Income Tax Return, attach a copy of your completed Schedule D (541) to Form 109.

Part I

Line 1 – If the estate or trust qualifies for the R&TC Section 18152.5 (similar to IRC Section 1202) exclusion of gain on qualified small business stock, report 100% of the gain on line 1. Directly below the line on which you reported the gain, enter in column (a) "Section 18152.5 exclusion" and enter as a (loss) in column (g) 50% of the gain. Also report 50% of the exclusion as a positive number on Schedule P (541), line 4v.

Line 2 – If the estate or trust sold property at a gain this tax year and is to receive any payment in a later tax year, use the installment method and file form FTB 3805E, Installment Sale Income. If the estate or trust elects out of the installment method, report the gain or loss on line 1. Also use form FTB 3805E if a payment was received in the taxable year from a sale made in an earlier year on the installment basis.

If the estate or trust elects not to use the installment method and is reporting a note or other obligation at less than face amount on line 1, state that fact in the margin and give the percentage of valuation. Get federal Publication 537, Installment Sales, and Publication 559, Survivors, Executors, and Administrators, for additional information.

Line 4 – Report the amount from Form 1099-DIV, box 2a, on line 4. If you received a Form 1099-DIV with a gain in box 2d, part of that gain (which is also included in box 2a) may be eligible for the R&TC Section 18152.5 exclusion (See "Note" under Purpose). In column (a) of line 1, enter the name of the corporation whose stock was sold. In column (g) of line 1, enter the amount of your allowable exclusion as a loss.

Line 7 – Enter the amount of unused capital loss carryover from prior years.

Note: There is no capital loss carryover from a decedent to an estate.

Part II

Line 9 – Use line 9 to summarize the gain or loss computed in Part I.

Column (a) — Beneficiaries
Enter the amounts of capital gain or loss allocable to the beneficiaries. Do not allocate capital losses to beneficiaries unless the capital losses are required to offset capital gains. Refer to IRC Section 643(a). Any capital

loss carryover for the final year is allowed to the beneficiaries, to the extent of their distributive shares.

Note: With the enactment of AB 1115 (Stats. 2001, Ch 920) nonresident and part-year resident beneficiaries may have to report their loss carryovers, deferred deductions, and deferred income differently from the manner shown on their Schedule K-1 (541). For more information, get FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Column (b) — Fiduciary

Enter the amounts of the gain or loss allocable to the fiduciary.

Note: Enter any capital gain paid or permanently set aside for charitable purposes, IRC Section 642(c), in column (b).

Column (c) — The amount entered on line 9, column (c), should be the total of the amounts shown on line 9, column (a) and column (b).

Form 109 filers, see instructions for that form.

Part III

Line 10 – If line 9, column (c), shows a loss, the loss is limited at line 10 to the smaller of the amount of the loss or $3,000.

Form 109 filers, see instructions for that form.

Part IV

Complete the Capital Loss Carryover Worksheet in the instructions for federal Schedule D (Form 1041), Capital Gains and Losses, using California amounts to determine the capital loss carryover.

Instructions for Form FTB 3885F

Depreciation and Amortization

A Purpose

Use form FTB 3885F, Depreciation and Amortization, to compute depreciation and amortization allowed as a deduction on Form 541, California Fiduciary Income Tax Return, or Form 109, California Exempt Organization Business Income Tax Return. Attach form FTB 3885F to Form 541 or Form 109.

Depreciation is the annual deduction allowed to recover the cost or other basis of business or income producing property with a determinable useful life of more than one year. Land is not depreciable.

Amortization is an amount deducted to recover the cost of certain capital expenses over a fixed period.

Generally, California conforms to federal law for assets placed in service on or after January 1, 1987. See California Revenue and Taxation Code Section 17250.

B Calculation Differences

California law has not always conformed to federal law regarding depreciation methods, special credits, or accelerated write-offs. Consequently, the recovery periods and the basis on which the depreciation is calculated may be different from the amounts used for federal purposes. Reportable differences may occur if all or part of your assets were placed in service:

- **Before January 1, 1987:** California did not allow depreciation under the federal Accelerated Cost Recovery System (ACRS). California depreciation is calculated in the same manner as in prior years for those assets.
- **On or after January 1, 1987:** California provides special credits and accelerated write-offs that affect the California basis for qualifying assets. California does not conform to all the changes to federal law enacted in 1993. Therefore, the California basis or recovery periods may be different for some assets.

Additional differences

Federal Bonus Depreciation
IRC Section 168(k) provides for a special depreciation deduction equal to 30% of the adjusted basis of property in the year acquired and placed into service as long as it is after September 10, 2001 and before September 11, 2004. California does not conform to IRC 168(k).

Amortization of Certain Intangibles: California has conformed to IRC Section 197 relating to the amortization of intangibles as of January 1, 1994. There is no separate California election required or allowed. However, for Section 197 property acquired before January 1, 1994, the California adjusted basis as of January 1, 1994, must be amortized over the remaining federal amortization period.

Certain Tangible Property: The election expense under IRC Section 179 does not apply to estates and trusts.

Qualified Indian Reservation Property: California has not conformed to the accelerated recovery periods available under the Alternative Depreciation System (ADS) for such property.

Grapevines Subject to Phylloxera or Pierce's Disease: For California purposes, replacement grapevines may be depreciated using a recovery period of five years instead of ten years.

For more information about adjustments, get FTB Pub. 1001, Supplemental Guidelines to California Adjustments.

Note: This list is not intended to be all-inclusive of the federal and state differences.

For additional information, please refer to California's Revenue and Taxation Code.

Specific Line Instructions

Line 1 – California depreciation for assets placed in service after December 31, 2002 and amortization for intangibles placed in service after December 31, 2002.
Complete columns (a) through (i) for each asset or group of assets placed in service after December 31, 2002. Enter the column (f) totals on line 1(f). Enter the column (i) totals on line 1(i).

Line 2 – California depreciation for assets placed in service before January 1, 2003.
Enter total California depreciation for assets placed in service before January 1, 2003, taking into account differences in asset basis or differences in California and federal tax law.

Line 4 – California amortization for intangibles placed in service before January 1, 2003.
Enter total California amortization for intangibles placed in service before January 1, 2003, taking into account any differences in asset basis or differences in California and federal tax law.

Line 6 – Total Depreciation and Amortization
Add line 3 and line 5. Enter the total on line 6. See the instructions to Form 541, line 3, for information on depreciation and amortization reported on federal Schedule C.

Note: Attach a schedule if you need additional space.

TAXABLE YEAR

CALIFORNIA SCHEDULE

2003 Trust Allocation of an Accumulation Distribution J (541)

Attach to Form 541.

References are to the Internal Revenue Code (IRC), as of **January 1, 2001**, and to the California Revenue and Taxation Code (R&TC).

Name of trust	Federal employer identification number (FEIN)

Part I Accumulation Distribution

For definitions and special rules, see the federal Treasury Regulations under IRC Sections 665–668.

See the instructions for federal Form 4970, Tax on Accumulation Distribution of Trusts, for certain income minors may exclude and for special rules for multiple trusts.

1 Enter amount from Schedule B (541), line 10, for 2003		1	
2 Enter amount from Schedule B (541), line 7, for 2003	2		
3 Enter amount from Schedule B (541), line 9, for 2003	3		
4 Distributable net income for 2003. Subtract line 3 from line 2. If line 3 is more than line 2, enter –0–		4	
5 Accumulation distribution for 2003. Subtract line 4 from line 1		5	

Part II Ordinary Income Accumulation Distribution (Enter the applicable throwback years below.)

If the distribution is thrown back to more than four years (starting with the earliest applicable taxable year beginning after December 31, 1968), attach additional schedules. If the trust was a simple trust, see federal Treasury Regulation Section 1.665(e) – 1A(b).		Throwback year ending ______	Throwback year ending ______	Throwback year ending ______	Throwback year ending ______
6 Distributable net income. See instructions	6				
7 Distributions. See instructions	7				
8 Undistributed net income. Subtract line 7 from line 6	8				
9 Enter amount from Part III, line 25	9				
10 Subtract line 9 from line 8	10				
11 Enter amount of prior accumulation distributions thrown back to any of these years	11				
12 Subtract line 11 from line 10	12				
13 Allocate the amount on line 5 to the earliest applicable taxable year first. Do not allocate an amount greater than the amount on line 12 for the same year	13				
14 Divide line 13 by line 10 and multiply the result by line 9	14				
15 Add line 13 and line 14	15				
16 Tax-exempt interest included on line 13. See instructions	16				
17 Subtract line 16 from line 15	17				

Part III Taxes Imposed on Undistributed Net Income (Enter the applicable throwback years below.)

If more than four throwback years are involved, attach additional schedules. See General Instructions. If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.		Throwback year ending ______	Throwback year ending ______	Throwback year ending ______	Throwback year ending ______
18 Tax. See instructions	18				
19 Total net capital gain. Enter amount from Form 541, Side 1, line 6, for 1969-1979; Form 541, Side 1, line 7, for 1980-1986; Form 541, Side 1, line 6, for 1987-1990; Form 541, Side 1, line 4, for 1991-2002	19				
20 Net capital gain distributed to beneficiaries. See instructions	20				
21 Net capital gain undistributed. Subtract line 20 from line 19	21				
22 Total taxable income. See instructions	22				
23 Enter percent (divide line 21 by line 22) but not more than 100%	23				
24 Multiply amount on line 18 by percent on line 23	24				
25 Tax on undistributed net income. Subtract line 24 from line 18. Enter here and on Part II, line 9	25				

Part IV **Allocation to Beneficiary** See Part IV Instructions below. Complete Part IV for each beneficiary.

If the accumulation distribution is allocated to more than one beneficiary, attach an additional Schedule J with Part IV completed for each additional beneficiary. If more than four throwback years are involved, attach additional schedules.

Beneficiary's name				Identifying number
Beneficiary's address (number and street including apartment number, PO Box, rural route, or PMB no.) City, state, and ZIP Code		**(a)** Enter amount from Part II, line 13 allocated to this beneficiary	**(b)** Enter amount from Part II, line 14 allocated to this beneficiary	**(c)** Enter amount from Part II, line 16 allocated to this beneficiary
26 Throwback year ending ________	**26**			
27 Throwback year ending ________	**27**			
28 Throwback year ending ________	**28**			
29 Throwback year ending ________	**29**			
30 Total. Add amounts on line 26 through line 29	**30**			

General Information

Purpose

File Schedule J (541) with Form 541 to report an accumulation distribution by domestic complex trusts and certain foreign trusts.

California has conformed to federal provisions of the Taxpayer Relief Act of 1997 repealing the throwback rules for certain domestic trusts. However, if the trust did not pay tax on the beneficiary's interest because the beneficiary was contingent, the income that would have been taxed is included by the beneficiary in the year it is distributable or distributed see R&TC Section 17745(b).

Internet Access. You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**

Specific Instructions

Part I

Accumulation Distribution in 2003

Generally, the beneficiary may exclude amounts accumulated before the beneficiary becomes age 21. See IRC Sections 665 and 667(c) for exceptions relating to multiple trusts. The trustee reports the total amount of the accumulation distribution before any reduction for income accumulated before the beneficiary becomes age 21. The beneficiary claims the exclusion when filing form FTB 5870A, Tax on Accumulation Distribution of Trusts, if the multiple trust rules do not apply. This is because one trustee may be unaware that the beneficiary may be a beneficiary of other trusts with other trustees.

Part II

Note: You must complete Part III before completing this part.

Ordinary Income Accumulation Distribution

Line 6 – Distributable net income for earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1978	Schedule H, (Form 541), line 5
1979	Part D, (Form 541), line 5
1980	Form 541, line 55
1981-1984	Form 541, line 57
1985-1986	Schedule 3, (Form 541), line 11
1987	Schedule 3, (Form 541), line 9
1988-1998	Schedule B, (Form 541), line 8
1999-2002	Schedule B, (Form 541), line 7

Line 7 – Distributions made during earlier years. Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969-1978	Schedule I, (Form 541), line 3
1979	Part D, (Form 541), line 8
1980	Form 541, line 58
1981-1984	Form 541, line 60
1985-1986	Schedule 3, (Form 541), line 14
1987	Schedule 3, (Form 541), line 13
1988-1998	Schedule B, (Form 541), line 12
1999-2002	Schedule B, (Form 541), line 11

Line 16 – Tax-exempt interest included on line 13. For each throwback year, divide line 15 by line 6 and multiply the result by one of the following:

Throwback Year(s):	Amount From:
1969-1978	Schedule H, (Form 541), line 2(a)
1979	Part D, (Form 541), line 2(a)
1980	Form 541, line 52(a)
1981-1984	Form 541, line 54(a)
1985-1986	Schedule 3, (Form 541), line 3
1987	Schedule 3, (Form 541), line 2
1988-2002	Schedule B, (Form 541), line 2

Part III

Taxes Imposed on Undistributed Net Income

For the regular tax computation, if there is a capital gain, complete line 18 through line 25 for each throwback year. If there is no capital gain for any year (or there is a capital loss for every year), enter on line 9 the amount of the tax for each year entered for line 18; do not complete Part III.

Note: If the trust received an accumulation distribution from another trust, see the federal Treasury Regulations under IRC Sections 665-668.

Line 18 – Tax

Enter the applicable tax amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 20
1970-1971	Form 541, line 21
1972-1979	Form 541, line 19
1980-1981	Form 541, line 23
1982-1984	Form 541, line 23(c)
1985-1986	Form 541, line 24(c)
1987-1989	Form 541, line 22(c)
1990-1996	Form 541, line 20(a)
1997-2002	Form 541, line 21(a)

Line 20 – Enter the applicable net capital gain distributed as follows:

Throwback Year(s):	Amount From:
1969	Form 541, Side 1, line 17 plus amounts from Schedule F-1 (541), lines 1 and 2
1970-1971	Form 541, Side 1, line 18 plus amounts from Schedule F-1 (541), lines 1 and 2
1972-1979	Schedule F-1 (541), lines 1(a)-1(c)
1980	Schedule K-1 (541), lines 2-4
1981	Schedule K-1 (541), lines 1-3
1982	Schedule D (541), line 25
1983	Schedule D (541), line 30
1984	Schedule D (541), line 33
1985-1986	Schedule D (541), line 28
1987	Schedule D (541), line 24
1988-2002	Schedule D (541), line 9(a)

Line 22 – Total taxable income

Enter the applicable amounts as follows:

Throwback Year(s):	Amount From:
1969	Form 541, line 19
1970-1971	Form 541, line 20
1972-1979	Form 541, line 18
1980-1984	Form 541, line 22
1985-1986	Form 541, line 23
1987-1989	Form 541, line 21
1990-1996	Form 541, line 19
1997-2002	Form 541, line 20

Part IV

Allocation to Beneficiary

Complete Part IV for each beneficiary. If the accumulation distribution is allocated to more than one beneficiary, attach an additional copy of Schedule J with Part IV completed for each additional beneficiary. If more than four throwback years are involved, attach additional schedules.

Nonresidents. In the case of a nonresident beneficiary, enter on line 26 through line 29, column (a), only that ratio of income from California sources as the amount on Part II, line 13 bears to the amount on Part II, line 10. Enter on line 26 through line 29, column (b), only that ratio of the amount on Part II, line 14 as the amount in column (a) bears to the amount on Part II, line 13.

Attach separate schedules supporting allocation of income to sources within and outside California.

Under R&TC Section 17953, income from trusts deemed distributed to nonresident beneficiaries is income from sources within California only if derived out of trust income derived from sources within California. Generally, for purposes of R&TC Section 17953, the nonresident beneficiary shall be deemed to be the owner of intangible personal property from which the income of the trust is derived.

If the beneficiary is a nonresident individual or a foreign corporation, see IRC Section 667(e) about retaining the character of the amounts distributed to determine the amount of withholding tax.

The beneficiary may use form FTB 5870A to compute the tax on the distribution.

TAXABLE YEAR
2003

Beneficiary's Share of Income, Deductions, Credits, etc.

CALIFORNIA SCHEDULE
K-1 (541)

For calendar year 2003 or fiscal year beginning month ____ day ____ year 2003, and ending month ____ day ____ year ________

Complete a separate Schedule K-1 (541) for each beneficiary.

Name of estate or trust

Beneficiary's social security number, California corporation number, or FEIN	Estate's or trust's federal employer identification number (FEIN)
Beneficiary's name, address, and ZIP Code	Fiduciary's name, address, and ZIP Code

A Beneficiary's percentage of distribution at year end . . . . . ● ___ ___ ___ . ___ ___ ___ ___ %

B Check here only if this is: ● **(1)** ☐ A final Schedule K-1 (541) **(2)** ☐ An amended Schedule K-1 (541)

C What type of entity is this beneficiary? . . . ● **(1)** ☐ Individual **(2)** ☐ Estate/Trust **(3)** ☐ Qualified Exempt Organization **(4)** ☐ Other ____________

D Is this beneficiary a nonresident of California? . . . . . ▶ ☐ Yes ● ☐ No

E Is the fiduciary a nonresident of California? . . . . . ▶ ☐ Yes ● ☐ No

Caution: Refer to the instructions for Schedule K-1 (541) before entering information from this schedule on your California return.

(a) Allocable share item	(b) Amount from federal Schedule K-1 (1041)	(c) California Adjustments	(d) Total amounts using California law Combine col. (b) and col. (c)	(e) California source amounts and credits
1 Interest			●	●
2 Dividends			●	●
3 Net capital gain or (loss)			●	●
4 a Annuities, royalties, and other non-passive income before directly allocable deductions (itemize)			●	●
b Depreciation				
c Depletion				
d Amortization				
5 a Trade or business, rental real estate, and other passive income (itemize)			●	●
b Depreciation				
c Depletion				
d Amortization				
6 Income for alternative minimum tax purposes				
7 Income for regular tax purposes. Add line 1 through line 5				
8 Adjustment for alternative minimum tax purposes. Subtract line 7 from line 6				
9 Adjustments and tax preference items:				
a Accelerated depreciation				
b Depletion				
c Amortization				
d Exclusion items				
10 Deductions in the final year of estate or trust:				
a Excess deductions on termination. (Attach computation)				
b Capital loss carryover				
c Net operating loss (NOL) carryover for regular tax purposes				
d NOL carryover for alternative minimum tax purposes				
11 Other (itemize):				
a Trust payments of estimated tax credited to you				
b Tax-exempt interest				
c Taxes paid to other states. Attach Schedule S, Other State Tax Credit				
d Other credits. Attach schedule				
e ______________________________				

THIS PAGE INTENTIONALLY LEFT BLANK

Visit our Website:

www.ftb.ca.gov

2003 Instructions for Schedule K-1 (541)

Beneficiary's Share of Income, Deductions, Credits, etc.

A Purpose

The estate or trust uses Schedule K-1 (541) to report its beneficiary's share of the income, deductions, credits, etc. The estate or trust files copies of the Schedules K-1 (541) with the Form 541, California Fiduciary Income Tax Return.

Internet Access. You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**

B Who Must File

The fiduciary of the estate or trust (or one of the joint fiduciaries) must file a Schedule K-1 (541) for each beneficiary. A copy of each beneficiary's Schedule K-1 (541) must be attached to Form 541 filed with the Franchise Tax Board (FTB). The fiduciary also must give each beneficiary a copy of his or her respective Schedule K-1 (541) and a copy of the Beneficiary's Instructions Schedule K-1 (541) or other prepared specific instructions. One copy of each Schedule K-1 (541) must be retained for the fiduciary's records.

C Penalty

The estate or trust will be charged a $50 penalty for each failure to provide a copy of each beneficiary's Schedule K-1 (541), unless reasonable cause is established for not providing it, Revenue and Taxation Code (R&TC) Section 19183.

D Substitute Forms

If the estate or trust does not use an official FTB Schedule K-1 (541) or a software program with an FTB-approved Schedule K-1 (541), it must get approval from the FTB to use a substitute Schedule K-1 (541). Get FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, for more information.

E Taxable Year

Beneficiary's taxable year. The beneficiary's income from the estate or trust must be included in the beneficiary's return for the taxable year in which the estate or trust taxable year ends.

Prior Year. Do not include in the beneficiary's income any amounts deducted on Form 541 for an earlier year that were credited or required to be distributed in that earlier year.

F Beneficiary's Income

If no special computations are required, use the following instructions to compute the beneficiary's income from the estate or trust.

California reporting requirements are the same as federal for:

- Income;
- Character of income;
- Allocation of deductions;
- Allocation of credits; and
- Gifts and bequests.

Income of nonresidents from bank accounts, stocks, bonds, notes, and other intangible personal property is not income from sources in California unless 1) the property has acquired a business situs in California or 2) orders with brokers have been placed so regularly as to constitute "*doing business*" (R&TC Section 17952). Include in column (e) only income from intangible property that is income from sources within California.

Attach a separate schedule to each beneficiary's Schedule K-1 (541) showing intangible income, such as interest, dividends, capital gains from the sale of stocks, bonds, etc., whose source is dependent upon the residence or commercial domicile of the beneficiary.

For nonresidents, income from a trade or business conducted within and outside California is apportioned or allocated to California in accordance with Cal. Code Regs., tit. 18 section 17951-4(c).

G Passive Activities

The limitations on passive activity losses and credits under Internal Revenue Code (IRC) Section 469 apply to estates and trusts. Estates and trusts that distribute income to beneficiaries are allowed to allocate depreciation, depletion, and amortization deductions to beneficiaries. These deductions are called "*directly allocable deductions*."

If items of income (loss), deduction, or credit from more than one activity are reported on Schedule K-1 (541), the fiduciary must attach a statement to Schedule K-1 (541) for each passive activity.

H Nonresident Beneficiaries

If the beneficiary of an estate or trust was a resident of California for the estate's or trust's entire taxable year, the beneficiary's share of the estate's or trust's income or loss for the taxable year is taxable to California. If the beneficiary of an estate or trust was a nonresident of California for the estate's or trust's entire taxable year, California will only tax the beneficiary on income that is derived from California sources. If the beneficiary of an estate or trust is only a resident of California for part of the estate's or trust's taxable year, California will tax the beneficiary's share of the estate's or trust's income or loss in accordance with FTB Publication 1100 and Legal Ruling 2003-1. Where an estate or trust derives income from both within and outside California, it is necessary for the fiduciary to determine what portion of the beneficiary's share of income of the estate or trust is from within and outside California. The amounts derived from or attributable to income from sources within and outside California are to be properly allocated and reported on the Schedule K-1 (541).

Payments to nonresidents having a business or taxable situs in California are subject to withholding of taxes. For more information, get the Instructions for Form 592, Form 592-A, and Form 592-B.

General Summary of Treatment for Sourcing Specific Nonbusiness Income Items

For California tax purposes:

- Compensation for personal services has a source where the services are performed.
- Interest and dividends generally have a source at the taxpayer's state of residence.
- Gains and losses from the sale or exchange of real and tangible personal property have a source where the property is located.
- Income from intangible personal property generally has a source at the taxpayer's state of residence. Rents and royalties have a source where the property is located.
- Pensions have a source where the services were performed. However, California does not impose a tax on qualified retirement income or pensions received by nonresidents on or after January 1, 1996.

Generally, income from a business, trade, or profession is sourced as follows:

- If the operations are conducted wholly within California, the income has a California source.
- If the operations within California are so separate and distinct from the operations outside of California that taxable income can be separately accounted for, only the income from within California must be included in California source income.
- If the trade or business carried on within California is an integral part of a unitary business carried on outside of California, the entire net income must be reported and apportioned or allocated in accordance with the provisions of the Uniform Division of Income for Tax Purposes Act as contained in Sections 25120 through 25139.

Partnership, limited liability company, and S corporation income (loss), is apportioned or allocated the same as any other business. If the estate or trust is a partner, member, or shareholder in a business entity, income sourced to California is generally included in column (e) of the Schedules K-1 (565, 568, or 100S). For more detailed information, review Cal. Code Regs., tit. 18 section 17951.4 and related tax codes.

See Cal. Code Regs., tit. 18 sections 17951-1(c), 17951-2, and 17953 regarding taxability of distributions to nonresident beneficiaries.

If California source income is being distributed to a nonresident beneficiary, see instructions regarding withholding at source in General Information P, Miscellaneous Items, of the Form 541 instructions.

Specific Line Instructions

Please round cents to the nearest whole dollar.

The estate or trust is required to request and provide a proper identification number for each beneficiary, R&TC Section 18624. Enter the beneficiary's number on the respective Schedule K-1 (541) when the estate or trust files Form 541, California Fiduciary Income Tax Return.

Individuals and business beneficiaries are responsible for giving the estate or trust their social security number, California corporation number, Secretary of State file number, or federal employer identification number (FEIN) upon request.

The estate or trust may use federal Form W-9, Request for Taxpayer Identification Number and Certification, to request the beneficiary's identifying number.

Columns (b), (c), (d), and (e)

In **column (b)**, the amounts entered are from your federal Schedule K-1 (1041).

In **column (c)**, the amounts entered are the adjustments resulting from differences between California and federal law for each specific line item.

In **column (d)**, the amounts entered are the result of combining column (b) and column (c).

In **column (e)**, the amounts entered are used to report California source income and credits.

Line 1 and Line 2
Enter in column (b) the amounts from Schedule K-1 (1041), and in column (c) any adjustments resulting from differences between California and federal law for each specific line item.

Line 3 – Enter the combined amount from federal Schedule K-1 (1041), line 3 and line 4a.

Note: Gains or losses from the complete or partial disposition of a rental real estate or trade or business activity that is a passive activity must be shown on an attachment to Schedule K-1 (541).

Line 4 – Enter on line 4a the beneficiary's share of annuities, royalties, or any other income (before directly allocable deductions) that is not subject to any passive activity loss limitation rules at the beneficiary level. Enter on line b, line c, and line d the beneficiary's share of the directly allocable deductions for depreciation, depletion, or amortization.

Line 5 – Enter on line 5a the beneficiary's share of trade or business, rental real estate, and other passive income (before directly allocable deductions) that is subject to any passive activity loss limitation rules at the beneficiary's level. Enter on line b, line c, and line d the beneficiary's share of the directly allocable deductions for depreciation, depletion, or amortization.

Line 6 – An estate or trust cannot pass through the alternative minimum taxable income (AMTI) exclusion to the beneficiary. The Schedule P (541), Alternative Minimum Tax and Credit Limitations – Fiduciaries, for the estate or trust must be recalculated leaving line 7b blank. This will eliminate the effect of the AMTI exclusion but allow other items of adjustment or tax preference to be passed through to the beneficiary. The recalculated amount on Schedule P (541), line 10, must be entered on Schedule K-1 (541), line 6.

Line 9a through Line 9d
Enter the amounts from Schedule P (541). Get the instructions for federal Schedule K-1 (1041) for more information.

Line 10a through Line 10d
If this is the final return, enter on line 10 the beneficiary's share of any:

- Excess deductions on termination (follow the instructions for federal Form 1041);
- Capital loss carryover; or
- Unused net operating loss (NOL) carryover for both regular and alternative minimum tax, if the NOL carryover would be allowed to the estate or trust in a later year but for termination.

Note: No deduction is allowed for estate taxes.

Net Operating Loss (NOL)

For taxable years beginning in 2002 and 2003, California has suspended the Net Operating Loss carryover deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. However, the deduction for disaster losses is not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by two years for losses incurred before January 1, 2002, and by one year for losses incurred after January 1, 2002, and before January 1, 2003.

For more information see form FTB 3805V, Net Operating Loss Computation and NOL and Disaster Loss Limitation – Individuals, Estates, and Trusts..

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident **is no longer limited** by the amount of NOL from all sources.

Line 11a through Line 11e
Enter the beneficiary's share of each item not entered elsewhere on Schedule K-1 (541). Attach a separate sheet for each item reported on line 11 showing the computation. Items that must be reported on this line include the allocable share, if any, of items listed on line 11a through line 11d.

Line 11b – Enter tax-exempt interest received by the estate or trust (including exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company).

Line 11c – Enter taxes paid to other states reported on Schedule S, Other State Tax Credit.

Note: Attach a copy of the return filed with the other state, evidence of payment, and a copy of Schedule S to verify the amount of tax paid.

Line 11d – Enter on an attached schedule each beneficiary's allocable share of any credit or credit information that is related to a trade or business activity.

Line 11e – Enter any other item that is not included above such as:

- Gross farming and fishing income; or
- Investment income, see IRC Section 163(d).

The estate or trust may need to report supplemental information that is not specifically requested on the Schedule K-1 (541) separately to each beneficiary.

If the estate or trust is claiming tax benefits from an Enterprise Zone (EZ), Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Area (LAMBRA), Manufacturing Enhancement Area (MEA), or Targeted Tax Area (TTA), it should give the beneficiaries their distributive share of the business income and business capital gain or loss apportioned to the EZ, LARZ, LAMBRA, MEA, or TTA on this line.

Beneficiary's Instructions for Schedule K-1 (541)

General Information

Purpose

The estate or trust uses Schedule K-1 (541) to report your share of the estate's or trust's income, deductions, credits, etc. Your name, address, and identifying number, as well as the estate's or trust's name, address, and identifying number, should be entered on the Schedule K-1 (541). Please keep Schedule K-1 (541) for your records. **Do not** file it with your tax return. The estate or trust has filed a copy with the Franchise Tax Board (FTB).

You are subject to tax on your share of the estate's or trust's income, and you must include your share on your individual tax return.

Schedule K-1 (541), column (b) shows amounts from your federal Schedule K-1 (1041). Column (c) shows the difference between federal and California amounts. Column (d) shows your total amounts using California law by combining column (b) and column (c). Column (e) shows your income and loss from California sources.

Generally, the amount of loss and deduction you may claim on your return is limited to your share of the estate or trust and the amount for which you are considered at-risk. If you have losses, deductions, or credits from a passive activity, you must also apply the passive activity rules. It is the beneficiary's responsibility to consider and apply any applicable limitations.

California law is generally the same as federal law with regard to income, the character of income, allocation of deductions, gifts, and bequests, and past years. Follow the instructions for federal Schedule K-1 (1041) for these items.

Generally, you must report items shown on your Schedule K-1 (and any attached schedules) the same way that the estate or trust treated the items on its return. If the treatment on your original or amended return is inconsistent with the estate's or trust's treatment, or if the estate or trust was required to but has not filed a return, you must attach a statement identifying the inconsistency. Beneficiaries may be liable for negligence penalties and penalties relating to mathematical errors if they cannot demonstrate that their treatment is consistent with the estate or trust.

Beneficiaries of estates and trusts include in their gross income their distributive share of the fiduciary's income distribution deduction for the taxable year. Amounts that are distributed by an estate or trust and that are not deductible in computing the entity's taxable income (i.e., distributions of corpus or tax-exempt income) usually are not taxable to the beneficiary.

Resident beneficiaries are taxed on income distributed or distributable from all sources. Nonresident beneficiaries are taxed only on income distributed or distributable that is derived from sources within California (R&TC Section 17953).

For purposes of this section, the nonresident beneficiary is deemed the owner of intangible personal property from which the income of the estate or trust is derived. Therefore, such income is taxed at the beneficiary's domicile.

Note: The estate or trust will attach a schedule of intangible income, such as income from stocks, bonds, bank accounts, and notes, whose source is dependent upon the residence or commercial domicile of the taxpayer. The income on this schedule is not income from California sources for nonresidents but is income sourced at the beneficiary's state of residence or commercial domicile.

Specific Line Instructions

Include the adjustment in column (c) on Schedule CA (540 or 540NR). If you are a nonresident beneficiary, the California source amounts in column (e) will help you identify the California source adjusted gross income that must be reported on your Schedule CA (540NR), column (E).

Note: Due to the enactment of AB 1115 (stats. 2001, Ch 920) part-year residents may be required to calculate their IRC section 652 or 662 income in a manner that produces a different result than the amounts shown in column (e) of this form. For more information, see FTB Pub. 1100, Taxation of Nonresidents and Individuals Who Change Residency.

Line 3 through Line 10
You must report the amounts in column (c), adjustments, that are from **nonpassive** activities on the appropriate California form or schedule as explained in these instructions.

Report the amounts in column (d), total amounts using California law, that are from **passive** activities on the appropriate California form or schedule. Get form FTB 3801, Passive Activity Loss Limitations, to transfer those amounts and to figure the amount of your passive activity loss limitation. Carry the passive activity amounts to the California form or schedule to figure your California adjustment amount. Enter this adjustment amount on the corresponding line on Schedule CA (540) or Schedule CA (540NR) only if there is a federal/California difference.

If there is no California form or schedule on which to compute your passive activity loss adjustment amount on (i.e., rental loss from passive activities), you may figure the adjustment amount on the California Adjustment Worksheets in the instructions for form FTB 3801. Enter the total of your adjustments from these worksheets from all passive activities on Schedule CA (540 or 540NR), line 17, column B or line 17, column C, whichever is appropriate.

Line 1 – Interest
Include on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate, any amount shown on line 1, column (c).

Line 2 – Dividends
Include on Schedule CA (540 or 540NR), line 9, column B or column C, whichever is appropriate, any amount shown on line 2, column (c).

Line 3 – Net capital gain or (loss)
Include on Schedule D (540), California Capital Gain or Loss Adjustment, line 2, any amount shown on line 3, column (d).

If there is an attachment to Schedule K-1 (541) that reports the disposition of a passive activity, get form FTB 3801 for more information.

Line 4 – Annuities, royalties, and other nonpassive income before directly allocable deductions
Include on Schedule CA (540 or 540NR), on line 17, in column (B) or column (C), any amount shown on Schedule K-1, line 4, column (c).

Directly apportionable deductions, such as depreciation, are treated by the beneficiary as having been incurred in the same activity as incurred by the estate or trust. The estate or trust should provide you with a schedule showing your share of directly apportionable deductions derived from each activity included on line 4.

Line 5 – Trade or business, rental real estate, and other passive income
Read the instructions below before including any amounts shown on Schedule K-1, line 5, on Schedule CA (540 or 540NR), line 17.

Passive Activities: The deductions on line 5 may be subject to the passive loss limitation rules. In general, losses from passive activities are allowed only to the extent of income from passive activities.

If your passive activity deductions exceed your passive activity income, or you have passive activity losses from any other source, you must use form FTB 3801 to figure your losses allowed from all passive activities.

Any directly apportionable deduction, such as depreciation, is treated by the beneficiary as having been incurred in the same activity as incurred by the estate or trust. The estate or trust should provide you with a schedule showing your share of directly apportionable deductions derived from each activity reported on line 5.

Line 8 – Enter your share of adjustment for alternative minimum tax (AMT) purposes on Schedule P (540), Alternative Minimum Tax and Credit Limitations — Residents, or Schedule P (540NR), Alternative Minimum Tax and Credit Limitations — Nonresidents and Part-Year Residents.

Line 9a through Line 9c

Schedule P (540) filers: Include any column (d) amount on Schedule P (540), Part I.

Schedule P (540NR) filers: Include column (d) amounts on Schedule P (540NR), Part I and report column (e) amounts in Part II.

Line 9d – Exclusion items

Include any column (d) or column (e) amount on line 2 of Form 3510, Credit for Prior Year Alternative Minimum Tax — Individuals or Fiduciaries.

Line 10a – Excess deductions on termination

Include any adjustment on Schedule CA (540 or 540NR), line 38 as an addition or subtraction, whichever is appropriate.

Line 10b – Capital loss carryover

Include any capital loss carryovers from the final year of the estate or trust on Schedule D (Form 540), line 6, column (d).

Line 10c and Line 10d – Net Operating Loss (NOL) Carryover

Upon termination of a trust or decedent's estate, a beneficiary succeeding to its property is allowed to deduct any unused NOL (and any AMT NOL) carryover for regular and AMT purposes if the carryover would be allowable to the estate or trust in a later tax year but for the termination.

For taxable years beginning in 2002 and 2003, California has suspended the Net Operating Loss carryover deduction. Taxpayers may continue to compute and carryover an NOL during the suspension period. However, the deduction for disaster losses is not affected by the NOL suspension rules.

The carryover period for suspended losses is extended by two years for losses incurred before January 1, 2002 and by one year for losses incurred after January 1, 2002 and before January 1, 2003.

For more information see form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations, Individuals, Estates, and Trusts.

For taxable years beginning on or after January 1, 2002, the NOL carryover computation for the California taxable income of a nonresident or part-year resident is no longer limited by the amount of net operating loss from all sources.

Line 11a – Trust payments of estimated tax credited to you

Include on Form 540, line 39 or Form 540NR, line 49, any estimated tax payments paid by the trust on your behalf.

Line 11b – Tax-exempt interest

Include any column (c) amount on Schedule CA (540 or 540NR), line 8, column B or column C, whichever is appropriate.

Line 11c – Taxes paid to other states

You may claim a credit against your individual income tax on your share of the net income tax paid to other states by the estate or trust. Get California Schedule S, Other State Tax Credit.

Line 11d – Other credits

If applicable, the estate or trust will use this line, through an attached statement, to give you the information you need to compute credits related to a trade or business activity.

Credits that may be reported include:

- Enterprise Zone (EZ), Hiring and Sales or Use Tax Credit. Get form FTB 3805Z;
- Orphan Drug Credit Carryover. Get form FTB 3540;
- Research Credit. Get form FTB 3523;
- Residential Rental and Farm Sales Credit Carryover. Get form FTB 3540;
- Commercial Solar Electric System Carryover. Get form FTB 3540;
- Employer Child Care Program/Contribution Credit. Get form FTB 3501;
- Local Agency Military Base Recovery Area(LAMBRA) Hiring or Sales and Use Tax Credit. Get form FTB 3807;
- Enhanced Oil Recovery Credit. Get form FTB 3546;
- Donated Agricultural Products Transportation Credit. Get form FTB 3547;
- Disabled Access Credit for Eligible Small Businesses. Get form FTB 3548;
- Manufacturing Enhancement Area Hiring Credit. Get form FTB 3808; and
- Targeted Tax Area Hiring and Sales or Use Tax Credit. Get form FTB 3809.

Note: The passive activity limitations of IRC Section 469 may limit the amount of credits you may claim. Get form FTB 3801-CR, Passive Activity Credit Limitations.

Line 11e – Other

Report any column (c) amount on Schedule CA (540 or 540NR), line 17, column B or column C, whichever is appropriate.

If the estate or trust is claiming tax benefits from an EZ, LARZ, or LAMBRA, it will give you your distributive share of the business income, and business capital gains and losses included in business income, apportioned to the EZ, LARZ, or LAMBRA on this line. Get form FTB 3805Z, FTB 3806, or FTB 3807 to claim the NOL, credit, or business deduction from any of these economic development areas.

TAXABLE YEAR

2003 California Allocation of Estimated Tax Payments to Beneficiaries

FORM **541-T**

For calendar year 2003 or fiscal year beginning month ____ day ____ year 2003, and ending month ____ day ____ year ______

Name of estate or trust | Federal employer identification number (FEIN)

Name and title of fiduciary

Address of fiduciary (number and street , including PO Box or rural route) | Suite no. | PMB no.

City | State | ZIP Code

If you are filing this form for the final year of the estate or trust, check this box . . . . ☐

1 Total amount of estimated taxes to be allocated to beneficiaries . . . . $ __________

2 Allocation to beneficiaries:

(a) No.	(b) Beneficiary's name and address	(c) Beneficiary's Social Security no. or FEIN	(d) Amount of estimated tax payment allocated to beneficiary	(e) Proration percentage
1				%
2				%
3				%
4				%
5				%
6				%
7				%
8				%
9				%
10				%

3 Total from additional sheet(s) . . . . 3 ______

4 Total amounts allocated. (Must equal line 1, above) . . . . 4 ______

Sign Here

Under penalties of perjury, I declare that I have examined this allocation, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ ______________________ Signature of fiduciary or officer representing fiduciary ▶ ________ Date

Mailing Address

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

Note: Do not file with Form 541.

Instructions for Form 541-T

California Allocation of Estimated Tax Payments to Beneficiaries

General Instructions

A Purpose

A trust or, for its final year, a decedent's estate may elect under California Revenue and Taxation Code Section 17731 and Internal Revenue Code Section 643(g)(1)(B) to have any part of its estimated tax payments treated as made by a beneficiary or beneficiaries. The fiduciary files Form 541-T to make the election. Once made, the election is irrevocable.

Note: Do not distribute withholding to beneficiaries on Form 541-T.

B How to File

File Form 541-T separately from Form 541, California Fiduciary Income Tax Return. Do not attach Form 541-T to Form 541.

C Where to File

Mail Form 541-T to:

FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0002

D When to File

For the election to be valid, a trust or decedent's estate must file Form 541-T by the 65th day after the close of the tax year as shown at the top of the form. If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. For a calendar year trust, the due date is on or before Friday, March 5, 2004.

E Period Covered

File Form 541-T for calendar year 2003 and fiscal years beginning in 2003. If the form is for a fiscal year or a short year, enter the tax year in the space at the top of the form.

F Internet Access

You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**

Access other state agencies' websites through the State Agency Index on California's Website at **www.ca.gov**

Specific Line Instructions

Fiduciary's Street Address
Include suite, room, unit number, etc. after the street address. If the post office does not deliver mail to the street address and the fiduciary has a PO box, show the PO box number instead of the street address.

Private Mailbox (PMB) Number
If the fiduciary leases a PMB from a private business rather than from the United States Postal Service, include the box number in the field labeled "PMB no.'' in the address area.

Line 1
Enter the amount of the estimated tax payments made by the trust or decedent's estate that the fiduciary elects to treat as a payment made by the beneficiaries. This amount is treated as if paid or credited to the beneficiaries on the last day of the tax year of the trust or decedent's estate. Be sure to include the amount on Form 541, Schedule B, Income Distribution Deduction, line 11.

Line 2

Column (b) – Beneficiary's name and address
Group the beneficiaries to whom you are allocating estimated tax payments into two categories. In the first category, list all the individual beneficiaries who have a social security number (SSN). In the second category, list all the other beneficiaries.

Column (c) – Beneficiary's identifying number
For each beneficiary who is an individual, enter the SSN. For all other entities, enter the federal employer identification number (FEIN). Failure to enter a valid SSN or FEIN may cause a delay in processing and could result in the imposition of penalties on the beneficiary. For those beneficiaries who file a joint income tax return, you can assist the Franchise Tax Board in crediting the proper account by providing the SSN, if known, of the beneficiary's spouse. However, this is an optional entry.

Column (d) – Amount of estimated tax payment allocated to beneficiary
For each beneficiary, also enter this amount on Schedule K-1 (541), Beneficiary's Share of Income, Deductions, Credits, etc., line 11a.

Column (e) – Proration percentage
For each listed beneficiary, divide the amount shown in column (d) by the amount shown on line 1 and enter the result as a percentage.

Line 3
If you are allocating a payment of estimated taxes to more than 10 beneficiaries, list the additional beneficiaries on an attached sheet that follows the format of line 2. Enter on line 3 the total from the attached sheet(s). Include the fiduciary name and FEIN on the attached sheet.

2004 Instructions for Form 541-ES

Estimated Tax For Fiduciaries

A Purpose

Use Form 541-ES to figure and pay estimated tax for an estate or trust. Estimated tax is the amount of tax the fiduciary of an estate or trust expects to owe for the year.

B What's New

California law conforms to the Internal Revenue Code section 6654 (d) as of January 1, 2001 in regards to the amount required to be paid as estimated tax payments. Thus, fiduciaries with 2003 adjusted gross income (AGI) greater than $150,000 are now required to estimate their tax based on the lesser of 90% of their current tax for 2004 or 110% of their 2003 tax.

C Who Must Make Estimated Tax Payments

Generally, a fiduciary of an estate or trust must make 2004 estimated tax payments unless:

- 100% or more of the estate's or trust's 2003 tax was paid by withholding; or
- 90% or more of the estate's or trust's 2004 tax will be paid by withholding.

An estate or trust is not required to make 2004 estimated tax payments if:

- The tax for 2003 (after subtracting withholding and credits) was less than $200; or
- The tax for 2004 (after subtracting withholding and credits) will be less than $200.
- It is a decedent's estate for any tax year ending before the date that is two years after the decedent's death; or
- It is a trust that was treated as owned by the decedent and if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust is primarily responsible for paying debts, taxes, and expenses of administration) for any tax year ending before the date that is two years after the decedent's death.

Limit on the Use of Prior Year's Tax. Estates and trusts with 2003 AGI greater than $150,000 must figure estimated tax based on the lesser of 90% of their current tax for 2004 or 110% of the tax for 2003.

If the estate or trust must make estimated tax payments, use the Estimated Tax Worksheet on the following page to figure the amount owed.

Real Estate Mortgage Investment Conduit (REMIC) trusts are not required to make estimated payments.

Tax-exempt trusts and nonexempt charitable trusts described in IRC Section 4947(a)(1) should use Form 100-ES, Corporation Estimated Tax.

D When to Make Estimated Tax Payments

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If an estate or trust does not pay enough tax by the due date of each of the payment periods, it may be charged a penalty even if it is due a refund when it files its income tax return. The payment periods and due dates are:

For the payment period	Due date is:
Jan. 1 through March 31, 2004	April 15, 2004
April 1 through May 31, 2004	June 15, 2004
June 1 through August 31, 2004	Sept. 15, 2004
Sept. 1 through Dec. 31, 2004	Jan. 18, 2005

Filing an Early Tax Return in Place of the 4th Installment. If an estate or trust files its 2004 tax return by February 2, 2005, and pays the entire balance due, it does not have to make its last estimated tax payment.

Annualization Option. If the estate or trust does not receive its taxable income evenly during the year, it may be to its advantage to annualize the income. This method allows matching estimated tax payments to the actual period when income was earned. Use the annualization schedule included with 2003 form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Farmers and Fishermen. If at least 2/3 of gross income for 2003 or 2004 is from farming or fishing, the estate or trust may:

- Pay the total estimated tax by January 18, 2005; or
- File Form 541 for 2004 on or before March 1, 2005 and pay the total tax due. In this case, estimated tax payments are not due for 2004. Attach form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to the front of Form 541.

Fiscal Year. If the estate or trust files on a fiscal year basis, the due dates will be the 15th day of the 4th, 6th, and 9th months of the fiscal year and the first month of the following fiscal year. If the due date is a Saturday, Sunday, or legal holiday, use the next business day.

E How to Use Form 541-ES Payment Voucher

Use the Estimated Tax Worksheet and the 2003 Form 541 return as a guide for figuring the 2004 estimated tax payment.

Note: There is a separate payment voucher for each due date. Use the voucher with the correct due date.

Fill in Form 541-ES:

1. Print the estate's or trust's name, the fiduciary's name and title, mailing address, and the estate's or trust's federal employer identification number (FEIN) in the space provided on Form 541-ES. Use black or blue ink. Print all names and words in CAPITAL LETTERS. If the estate's or trust's name or address is too long to fit in the boxes provided, do not shorten the name or address. Instead, ignore the boxes and fit the information in the space provided.

Note: If the fiduciary leases a private mail box (PMB) from a private business rather than a PO box from the United States Postal Service, include the box number in the field labeled "PMB no." in the address area.

2. Enter in the payment box of the voucher only the amount of the current payment. When making payments of estimated tax, be sure to take into account any previous year's overpayment to be credited against the current year's tax, but do not include the overpayment amount in the payment amount.
3. If part of the estimated tax is to be allocated to the beneficiaries per IRC Section 643(g), attach a copy of Form 541-T, California Allocation of Estimated Tax Payments to Beneficiaries, to Form 541-ES.
4. Make the check or money order payable to "**Franchise Tax Board**." Write the FEIN and "Form 541-ES 2004" on the check or money order. Mail the Form 541-ES and the check or money order to:

   FRANCHISE TAX BOARD
   PO BOX 942867
   SACRAMENTO CA 94267-0031
5. Keep a record of the payment.
6. **Fiscal-year filers:** Fill in the month and year-end information at the top of the voucher.

F Failure to Make Estimated Tax Payments

If the estate or trust is required to make estimated tax payments and does not, or if it underpays any installment, a penalty will be assessed for that portion of estimated tax that was underpaid from the due date of the installment to the date of payment or the due date of the tax return, whichever is earlier. For more information, get 2003 form FTB 5805.

G Other Information

Filing 541-ES on Magnetic Media. Fiduciaries that make estimated tax payments for more than 200 taxable trusts may submit the estimated tax information on magnetic media or composite listing. For additional information, our general toll-free service is available from within the United States (800) 852-5711 or from outside the United States (916) 845-6500 (not toll-free).

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday. We may modify these hours without notice to meet operational needs.

Forms By Internet. You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**

California's Website. Access other state agencies' websites through the State Agency Index on California's Website at **www.ca.gov**

2004 Estimated Tax Worksheet. Do not file. Keep this worksheet for your records.

1	Enter the estimated amount of adjusted total income you expect in 2004	1
2	Enter income distribution deduction	2
3	Taxable income of fiduciary. Subtract line 2 from line 1	3
4	Tax. Figure the amount by using the 2003 tax rate schedule	4
5	Additional taxes from: form FTB 5870A, Tax on Accumulation Distribution of Trusts; IRC Section 453A tax, relating to certain dispositions under the installment method; and, IRC Section 641(d) tax on income attributable to S corporation stock held by an Elected Small Business Trust (ESBT)	5
6	Total. Add line 4 and line 5	6
7	Credits. See the instructions for Form 541 for more information about credits you may claim	7
8	Total. Subtract line 7 from line 6	8
9	**a** Enter 90% (.90) of Line 8. Farmers and fishermen use 66 2/3% (.6667) of line 8 — **9a**	
	b Enter 100% of the tax shown on your 2003 Form 541, or 110% (1.10) of that amount if the estate's or trust's AGI on the 2003 return is more than $150,000, and if less than 2/3 of gross income for 2003 or 2004 is from farming or fishing — **9b**	
	c Enter the smaller of line 9a or line 9b — **9c**	
10	California income tax withheld and estimated to be withheld during 2004	10
11	Estimated tax. Subtract line 10 from line 9c. If less than $200, no payment is required	11
12	Divide line 11 by 4. This is the amount of your required installment. Enter the result here and on each Form 541-ES voucher. See the instructions if income will be earned at an uneven rate during the year. If the amount is zero, do not mail this voucher	12

DETACH HERE — IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM — DETACH HERE

TAXABLE YEAR

2004 Estimated Tax for Fiduciaries

Due Jan. 18, 2005

CALIFORNIA FORM

541-ES

Fiscal year filers, enter year ending: month year

Name of estate or trust

Federal employer identification number (FEIN)

Name and title of fiduciary

Address — number and street including suite number, PO Box, or rural route

PMB no.

Payment Voucher 4

City

State

ZIP Code

If no payment is due, do not mail this form.

Make your check or money order payable to **"Franchise Tax Board."** Write the FEIN and "Form 541-ES 2004" on it. **Do not combine this payment with payment of your tax due for 2003.** Mail this voucher and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

TAXABLE YEAR

CALIFORNIA FORM

2004 Estimated Tax for Fiduciaries

Due April 15, 2004

541-ES

Fiscal year filers, enter year ending: month year

Name of estate or trust

Federal employer identification number (FEIN)

Name and title of fiduciary

Address — number and street including suite number, PO Box, or rural route

PMB no.

City

State

ZIP Code

Payment Voucher 1

If no amount is due, do not mail this form.

Make your check or money order payable to **"Franchise Tax Board."** Write the FEIN and "Form 541-ES 2004" on it. **Do not combine this payment with payment of your tax due for 2003.** Mail this voucher and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

For Privacy Act Notice, get form FTB 1131.

541ES04103

Form 541-ES (REV. 2003)

DETACH HERE **IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM** DETACH HERE

TAXABLE YEAR

CALIFORNIA FORM

2004 Estimated Tax for Fiduciaries

Due June 15, 2004

541-ES

Fiscal year filers, enter year ending: month year

Name of estate or trust

Federal employer identification number (FEIN)

Name and title of fiduciary

Address — number and street including suite number, PO Box, or rural route

PMB no.

City

State

ZIP Code

Payment Voucher 2

If no amount is due, do not mail this form.

Make your check or money order payable to **"Franchise Tax Board."** Write the FEIN and "Form 541-ES 2004" on it. **Do not combine this payment with payment of your tax due for 2003.** Mail this voucher and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

For Privacy Act Notice, get form FTB 1131.

541ES04103

Form 541-ES (REV. 2003)

DETACH HERE **IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM** DETACH HERE

TAXABLE YEAR

CALIFORNIA FORM

2004 Estimated Tax for Fiduciaries

Due Sept. 15, 2004

541-ES

Fiscal year filers, enter year ending: month year

Name of estate or trust

Federal employer identification number (FEIN)

Name and title of fiduciary

Address — number and street including suite number, PO Box, or rural route

PMB no.

City

State

ZIP Code

Payment Voucher 3

If no amount is due, do not mail this form.

Make your check or money order payable to **"Franchise Tax Board."** Write the FEIN and "Form 541-ES 2004" on it. **Do not combine this payment with payment of your tax due for 2003.** Mail this voucher and your check or money order to: **541-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031**

Amount of payment

For Privacy Act Notice, get form FTB 1131.

541ES04103

Form 541-ES (REV. 2003)

THIS PAGE INTENTIONALLY LEFT BLANK

Visit our Website:

www.ftb.ca.gov

Instructions for Form FTB 3563

Payment Voucher for Automatic Extension for Fiduciaries

General Information

California does not require the filing of written extensions. If the estate or trust cannot file Form 541, California Fiduciary Income Tax Return, by the due date, the estate or trust is granted an automatic six month extension. If the tax return is filed by the 15th day of the 10th month following the close of the taxable year (fiscal year) or by October 15, 2004 (calendar year), the extension will apply.

Only use form FTB 3563 if:

- The estate or trust cannot file Form 541 by the original due date; **and**
- Tax is owed for 2003.

Use the worksheet below to determine if tax is owed.

- If **tax is not owed**, there is nothing to file at this time. **Do not** complete or mail this voucher.
- If **tax is owed**, complete the voucher below. Mail in the voucher along with your check or money order to the Franchise Tax Board by the 15th day of the 4th month (fiscal year) or April 15, 2004 (calendar year), to avoid late payment penalties and interest.

Note: Nonexempt charitable trusts as described in Internal Revenue Code Section 4947(a)(1), exempt pension trusts, and simple trusts (that have a letter from the Franchise Tax Board authorizing the exempt status) use form FTB 3539, Payment Voucher for Automatic Extension for Corporations and Exempt Organizations.

Penalties and Interest

If the estate or trust fails to pay its total tax liability by the original due date of the tax return, a late payment penalty and interest will be added to the tax due. To avoid late payment penalties and interest, the estate's or trust's tax liability must be paid by the 15th day of the 4th month, following the close of the taxable year. If after the tax return's due date has passed, the estate or trust finds that its estimate of tax due was too low, the estate or trust should pay the additional tax as soon as possible to avoid further accumulation of penalties and interest. Pay the estimated additional tax with another form FTB 3563 voucher.

If the estate's or trust's fiduciary tax return is not filed by the 15th day of the 10th month following the close of the taxable year, the automatic extension will not apply and a late filing penalty and interest will be assessed from the original due date of the tax return.

TAX PAYMENT WORKSHEET FOR YOUR RECORDS

1 Total tax the estate or trust expects to owe. This is the amount you expect to enter on Form 541, line 27 or Form 541-QFT, line 27 . . . . . . 1 ________

2 Payments and credits:

a California income tax withheld . . . . . . 2a ________

b California estimated tax payments and amount applied from the 2002 Form 541 or Form 541-QFT . . . . . . 2b ________

c Other payments and credits, including any tax payments made with any previous form FTB 3563 voucher . . . . . . 2c ________

3 Total tax payments and credits. Add line 2a, line 2b, and line 2c . . . . . . 3 ________

4 Tax due. Subtract line 3 from line 1 . . . . . . 4 ________

- If the amount on line 3 is more than the amount on line 1, the estate or trust has no tax due. **DO NOT MAIL THE PAYMENT VOUCHER.**
- If the amount on line 1 is more than the amount on line 3, subtract line 3 from line 1. This is the estate's or trust's tax due. Enter the result on line 4 and in the "Amount of payment" box on the form FTB 3563 voucher below. Fill in the estate's or trust's name, address, and federal employer identification number (FEIN). Separate the voucher from this page where it says "DETACH HERE." Make a check or money order payable to "Franchise Tax Board," and write the FEIN and "2003 FTB 3563" on it. Mail the check or money order and the voucher to: **FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0051**
- If the tax return is filed by the 15th day of the 10th month following the close of the taxable year (fiscal year) or by October 15, 2004 (calendar year), the extension will apply.

Save the completed worksheet as a permanent part of the estate's or trust's tax records along with the copy of the tax return.

DETACH HERE — — — — — — **IF NO PAYMENT IS DUE, DO NOT MAIL THIS FORM** — — — — — — DETACH HERE

(Calendar year – Due April 15, 2004)

TAXABLE YEAR **2003**

Payment Voucher for Automatic Extension for Fiduciaries

CALIFORNIA FORM **3563 (541)**

For calendar year 2003 or fiscal year beginning month________ day________ year 2003, and ending month________ day________ year________

Name of estate or trust | Federal employer identification number (FEIN)

Name and title of fiduciary

Present address (number and street including suite number, PO Box, or rural route) | PMB no.

City | State | ZIP Code

IF PAYMENT IS DUE, MAIL TO:

FRANCHISE TAX BOARD
PO BOX 942867
SACRAMENTO CA 94267-0051

If amount of payment is zero, do not mail form ▶ Amount of payment ________

356303103

How to Get California Tax Information

Where to Get Tax Forms and Publications

By Internet – You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**.

Joint Agency Website – For additional business tax information, visit the California Tax Information Center Website, sponsored by the BOE, EDD, FTB, and IRS at **www.ca.taxes.gov**.

By phone – To order California forms use the FTB general toll-free phone service, (see below).

In person – Free California tax booklets are provided at many libraries, post offices, and banks during the filing season. Most libraries and some quick print businesses have forms and schedules to photocopy (a nominal fee may apply).

Note: Employees at libraries, post offices, banks, and quick print businesses cannot provide tax information or assistance.

By mail – Write to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 7 p.m. Monday through Friday, except state holidays. We may modify these hours without notice to meet operational needs.

From within the United States,
call . . . . (800) 852-5711

From outside the United States,
call (not toll-free) . . . . (916) 845-6500

For federal tax questions,
call the IRS at . . . . (800) 829-1040

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 7 p.m. lunes a viernes, excepto días festivos estatales. Sin embargo, podríamos modificar este horario sin aviso previo para cumplir necesidades de operación.

Dentro de los Estados Unidos,
llame al . . . . (800) 852-5711

Fuera de los Estados Unidos,
llame al (cargos aplican) . . (916) 845-6500

Para preguntas sobre impuestos
federales, llame el IRS al . . (800) 829-1040

Letters

If you write to us, be sure your letter includes your federal employer identification number (FEIN), your daytime and evening telephone numbers. Send your letter to:

PROFESSIONAL RESOURCES AND
EDUCATION SECTION MS F-228
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94257-0040

We will respond to your letter within ten weeks. In some cases we may need to call you for additional information.

Do not attach correspondence to your tax return unless it relates to an item on your return.

Your Rights As A Taxpayer

Our goal at the FTB is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program, and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Tax Forms and Publications," for a copy of FTB Pub. 4058.

Assistance for persons with disabilities
We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.